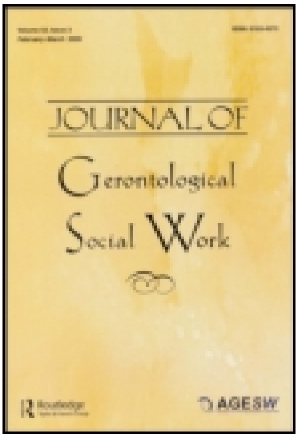

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Asset Accumulation and Older Adults

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Editorial

Asset Accumulation and Older Adults

FOCUS ON ASSETS GIVES A NEW PERSPECTIVE ON FINANCIAL VULNERABILITY

Social workers concerned about financial vulnerability generally focus on income support. This is natural. Definitions of poverty and inequality are generally based on income; besides, our professional turf and our advocacy efforts revolve around income supports for the poor and near-poor. However, the Center for Social Development (CSD) at Washington University takes a different tack. At a fascinating conference last month, CSD and the Friedman Center for Aging brought together experts from nonprofits, government, and universities to consider research, programs, and policies that support asset accumulation across the lifespan. The papers presented at the conference will be available through CSD. Here, I hope to pique your interest with a few highlights.

Asset Accumulation: A Lifespan Perspective

A dominant model holds that Americans accumulate wealth during their working years, and then "decumulate" during retirement (Brown, 2011). This idealized curve is illustrated in Figure 1. As Tyson Brown and others at the conferences demonstrated, the curve may describe the White experience, but wealth accumulation by people from historically disadvantaged groups is severely limited. Brown combined data from the National Longitudinal Study of Youth and the Health and Retirement Study to describe the net worth of African Americans over the lifespan, which more closely approximated a flat line. Indeed, our nation's massive wealth disparities clearly reveal the discrepancy between privilege and disadvantage in America's winner-take-all economy.

Strengthening Financial Capability

Programs designed to enhance financial capability of the disadvantaged address both the ability and the opportunity to take actions toward asset accumulation (Sherraden, Emmons, Noeth, & Morrow-Howell, 2012). The Financial Clinic has 25 sites in New York City that serve the working poor

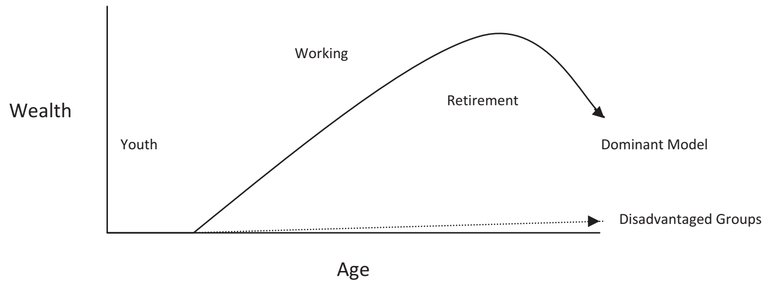

FIGURE 1 Asset accumulation across the lifespan. Adapted from Brown (2011).

(who include a growing number of older adults). Their sites deliver a range of services, including free tax preparation, credit counseling, financial coaching, benefit screenings, and legal assistance (Grote, 2012). On the other coast, Earned Assets Resource Network (EARN) provides checking accounts for the unbanked, matched savings accounts, investment training, and financial education to low-income workers in San Francisco (Mangan, 2012).

Two elements in these programs may need explanation: matched savings accounts and the notion of the "unbanked." Since the 1990s, microsavings programs have been established in the U.S. and abroad. CSD has consulted on projects in the United Kingdom, Canada, China, Korea, Indonesia, Uganda, and Peru. Central to these efforts are "individual development accounts," for low-income savers, often with a direct match provided by governments and other donors. EARN clients receive a $2 to $3 match for every dollar they save, up to a limited amount (from $2,000 to $6,000). Funds may then be used for specific purposes, such as a child's education or home purchase.

Unbanked refers to people who do not have a relationship with a bank or credit union—no checking or savings account. The Federal Deposit Insurance Corporation (FDIC) estimates that slightly over 8% of U.S. households are in this situation, most of them headed by individuals with low incomes. Approximately 28% of households with incomes below $15,000 are unbanked (FDIC, 2012). People who do not use traditional banks rely on "alternative financial services" like money orders, non-bank check cashing, payday lenders, and refund anticipation loans—services that entail significant fees and penalties that further disadvantage these vulnerable households. So when EARN provides checking accounts, they enhance the opportunity for the unbanked to conserve (and possibly accumulate) financial resources.

Services delivered under the National Council on Aging (NCOA)'s Economic Security Initiative focus on older adults (Alwin, 2012).Their goal is clear: To "improve the economic well-being of 5 million low-income, vulnerable older adults by providing comprehensive, integrated services that significantly increase their income and/or reduce their expenses." The program delivers a comprehensive array of services organized around individualized plans. To date, the NCOA reports an average increase in income or reduction in expenses of $3,000 per year for its clients, a figure that represents 23% of the mean Social Security benefit received by older women.

Asset-Based Policy Alternatives

In her keynote speech Gail Hillebrand, Associate Director for Consumer Education and Engagement at the new Consumer Financial Protection Bureau, described the agency's accomplishments and opportunities (including jobs for social work graduates). Established under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, the Bureau maintains a searchable data base of consumer complaints and provides consumer education through its website (www.consumerfinance.gov). This includes a page devoted to scams and other financial challenges faced by older adults, which should serve as an excellent resource for teaching and practice. These and other promising developments at the Bureau illustrate the vital role of policy in helping disadvantaged groups make the most of their financial resources. Other policy considerations include predatory loan practices and the redistribution of public asset subsidies toward disadvantaged groups.

Predatory Loan Practices

Widespread predatory loan practices in the U.S. call for policy interventions. For instance, payday lenders offer short-term loans at high interest rates (e.g., 400%). Marketed as the answer to short-term cash shortfalls, these loans trap consumers in an expensive cycle of interest and fees, while the lenders pocket millions of dollars in profits. Savvy marketers, these companies choose locations in low-income neighborhoods and hire local staff, who foster personal relationships with potential clients (Mangen, 2012). Community organizations like EARN and some credit unions do provide short term loans at reasonable interest rates, but they do not have the resources to compete with the payday lenders.

Several policies to limit predatory lending practices are already in place. The Servicemembers Civil Relief Act gives significant protections to members of the armed services, including limits on interest rates. The Center for Responsible Lending (n.d.) reports that 17 states and the District of Columbia have set caps on interest rates, and some states limit the loan amount and the length of the loan. Local communities have also stepped up to regulate these practices (Dallas, Texas has some of the strongest local laws). Still, there is a clear need for advocacy to expand protections at the local, state and federal levels.

Redistribution of Incentives and Public Subsidies

One of the conference's most intriguing discussions focused on the extent to which incentives and public subsidies for asset accumulation in this country favor the middle- and upper-class. Americans with good jobs enjoy tax favored savings in the form of IRAs and vehicles for pension savings. Public subsidies like the home mortgage interest deduction and tax free health benefits favor those already privileged in the U.S. economy.

The home mortgage interest deduction most clearly illustrates the regressive character of these subsidies, as it is greatest for those who purchase the most expensive homes. Elimination of this deduction is currently under consideration as part of a call to eliminate loopholes and deductions in the tax code. Alternatively, the deduction could be restricted to those who purchase homes at prices below the national median. This amounted to $156,000 in 2011 according to the National Association of Realtors (CBS News, 2011). Indeed, a sliding scale might determine the proportion of interest eligible for deduction, with larger percentages available at lower home prices. This is just one example. A focus on assets opens up several new avenues for advocacy, even as it suggests new approaches to redress the corrosive inequality that threatens our nation.

INTRODUCTION TO THE ISSUE

Our first issue of 2013 looks at several topics ranging from the experiences of Mexican, Puerto Rican, and Korean Americans to caregiving. First, Eunjeong Ko and her colleagues explore the notion of the good death, as it is understood by Mexican American older adults. In the second article, Marianna T. Guzzardo and Nancy W. Sheehan, from University of Connecticut, consider Puerto Rican elders' knowledge and use of community services. Judy R. Strauss, from National Institute for the Psychotherapies, looked at caregiving by adult children and compared the experiences of those caring for in-laws with those caring for biological children. In the final article, Suk-Young Kang and his colleagues examined the relationship between life stressors and depression among Korean Americans. The issue closes with Rajean P. Moone's review of *The Alzheimer's Solution: How Today's Care Is Failing Millions and How We Can Do Better,* an interesting critique of dementia care in the United States based on the authors' anthropological studies in rural Colombia.

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