

The Web of Wealth: Resiliency and Opportunity or Driver of Inequality?

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Quinn and Morrai Bateman, a white middle class couple living on the west coast, are both self employed. Although paid well, Quinn's work is erratic. Morrai earns approximately \$5,000 a year with her small catering business. Despite their unsteady income stream their children attend a private school and they were able to renovate their home. This was all made possible by their parents who have supplied a steady stream of gifts and financial help. Morrai asked for help from her father when she could not afford to pay their children's private school tuition. Their parents provided assistance when Quinn and Morrai needed to renovate their home. In addition they received much larger financial transfers from their parents that included \$100,000 in cash and an overseas condo providing an additional \$12,000 a year in steady income. The web of family wealth provided this family with financial transfers that enabled them to maintain their financial well-being and invest in opportunities for their kids.

By contrast Steve and Christa Barzak, a college educated professional African American couple in the same city, both lost their jobs at the same time. Their families were not in a position to help them out financially. Steve and Christa had to sell their condo for less than the value of the remaining mortgage. Unable to afford the tuition they took their youngest daughter out of private school. They split their family up among different relatives because they could not afford the rent for an apartment on the unemployment insurance payments that Steve received. Without the opportunity investments and financial assistance with household expenses from an extended family with significant wealth and well-being the next generation's economic mobility has been put at risk.

Extended family wealth plays an important role in facilitating well-being and enabling families to follow their dreams. It also reproduces structures of wealth inequality that prevent some families from getting ahead. The Batemans and the Barzaks represent the different lived realities of families with and without extended family wealth.

Assets/Wealth: Assets are the tangible resources available to households—financial, personal, institutional, and social (networks of family and friends)—that can be drawn upon in times of need, or can be invested for the future. Examining the change in a family's wealth over time helps reveal changes in economic security and opportunity for the family as a whole.

Head Start Assets: Head start assets are those assets parents provide to their children to help them access opportunities. These assets might include a loan or gift to buy a house, or a savings account to help pay for college.

Transformative Assets: Transformative assets are inherited wealth that lifts individuals or families beyond their own direct achievements.

Net Financial Assets/Liquid Wealth: Financial assets are those liquid financial resources, such as savings accounts, retirement accounts, children's college funds, and stocks and bonds, available to a family to draw upon. Net financial assets are the sum of all assets minus the sum of all debts, excluding home equity.

Net Worth (Total Wealth): Net worth is a wealth measure that looks at the sum of a family's assets minus all its debts, including home equity.

Asset Security: A family has asset security if, together with three months of unemployment insurance and its own assets, it has sufficient liquid assets to cover 75% of average household consumption for three months.

Financial Transfers: These are money from relatives that can be received while a family member is still living—what economists call in-vivo transfers—or when a family member dies—commonly called inheritance.

Introduction

Families often help each other out financially. A brother lends a few hundred dollars to cover a late household bill. A grandparent puts \$1,000 away each year into a college fund for their grandchildren. A parent writes a \$10,000 check for their adult child's first home down payment. In the short-term, financial help limits those in the network from economic collapse or a serious decline in their standard of living. Over the long-term, extended family financial support can provide a steppingstone to better opportunities, such as going to college, starting a business, or purchasing a home. Financial transfers can also be much larger, fundamentally changing a family's lot in life. These large financial transfers often arrive in the form of inheritance upon the death of a relative. This network of extended family financial assistance is a "web of wealth" that, in the U.S., profoundly shapes individual family members' social and economic trajectories beyond their own achievements in work and education.

A web of wealth depends on the financial resilience and affluence of its members. Some wealth webs are packed with prosperous individuals. Others have fewer wealthy members whose resources get spread thin within the network. Many family webs have no wealth, especially low-income, African American, and other family of color networks. Across generations, historic policies have contributed to this inequitable wealth distribution. A legacy of slavery and racism has produced limited access and opportunities especially for African Americans to build wealth, while the federal government has invested in the wealth building of the wealthiest Americans. The consequences are stark. Families without a web of wealth to draw on have less household resilience in facing financial disruptions. By contrast families situated in strong wealth webs are able to remain resilient in the face of financial disruptions and can leverage opportunities for upward mobility.

Inequality in the distribution of wealth webs helps reproduce and exacerbate inequities. For example, a child born into a wealthy family is 6.3 times more likely to end up a wealthy adult than a child born into a poor family.¹ Racial inequities are also perpetuated. One study found that twelve percent of the racial wealth gap could be explained by differences in receipt of family financial transfers.²

This brief explores these themes in greater depth. It describes the relative infrequency of extended family financial assistance, the inequities in its distribution, and the consequences for household wealth holding. It looks at how families use resources from the web of wealth, why families do not have access to a web of wealth, and what they do in its absence to maintain well-being and leverage opportunity. Finally, the brief proposes policy solutions to ensure that families without a web of wealth are able to access the same opportunities as those situated in well-resourced family networks.



Who Has Access to a Web of Wealth?

Due to vast differences in wealth some households have greater access to financial assistance—more frequent or larger amounts—through their web of wealth than others. Following the same households over more than a quarter century from 1984-2011, using the Panel Survey on Income Dynamics (PSID), demonstrates the magnitude of these inequities.

Approximately One-Third of Households Received Extended Family Financial Transfers

Receiving financial transfers from extended family is relatively uncommon. Following a national sample of families who were working age in 1984, 35 percent of households had received extended family financial transfers by 2011.^{3,4} In other words, close to two-thirds of the households tracked for 27 years received no financial transfers from family members. Families in the *Leveraging Mobility* study are at a stage in the life-course where they are most likely to receive extended family help as they raise their children. As a result, a much higher percentage of *Leveraging Mobility* participants received extended family financial transfers—more than three out of every four families interviewed—from young adulthood until their own children left the home.⁵

African American Households Are Less Likely to Have a Web of Wealth to Draw On

With just over one-third of households reporting the receipt of family financial transfers, there are stark differences in who received this type of financial support. The web of wealth for low-income and African American households is often more limited because fewer relatives have built up significant stores of financial resources to draw on.⁶ White households are four and a half times more likely to receive inheritance or in-vivo transfers than African American households. In the PSID data, between 1984 and 2011, close to half of white households (46%) received some type of financial transfer while only one-tenth of African American households (10%) did.

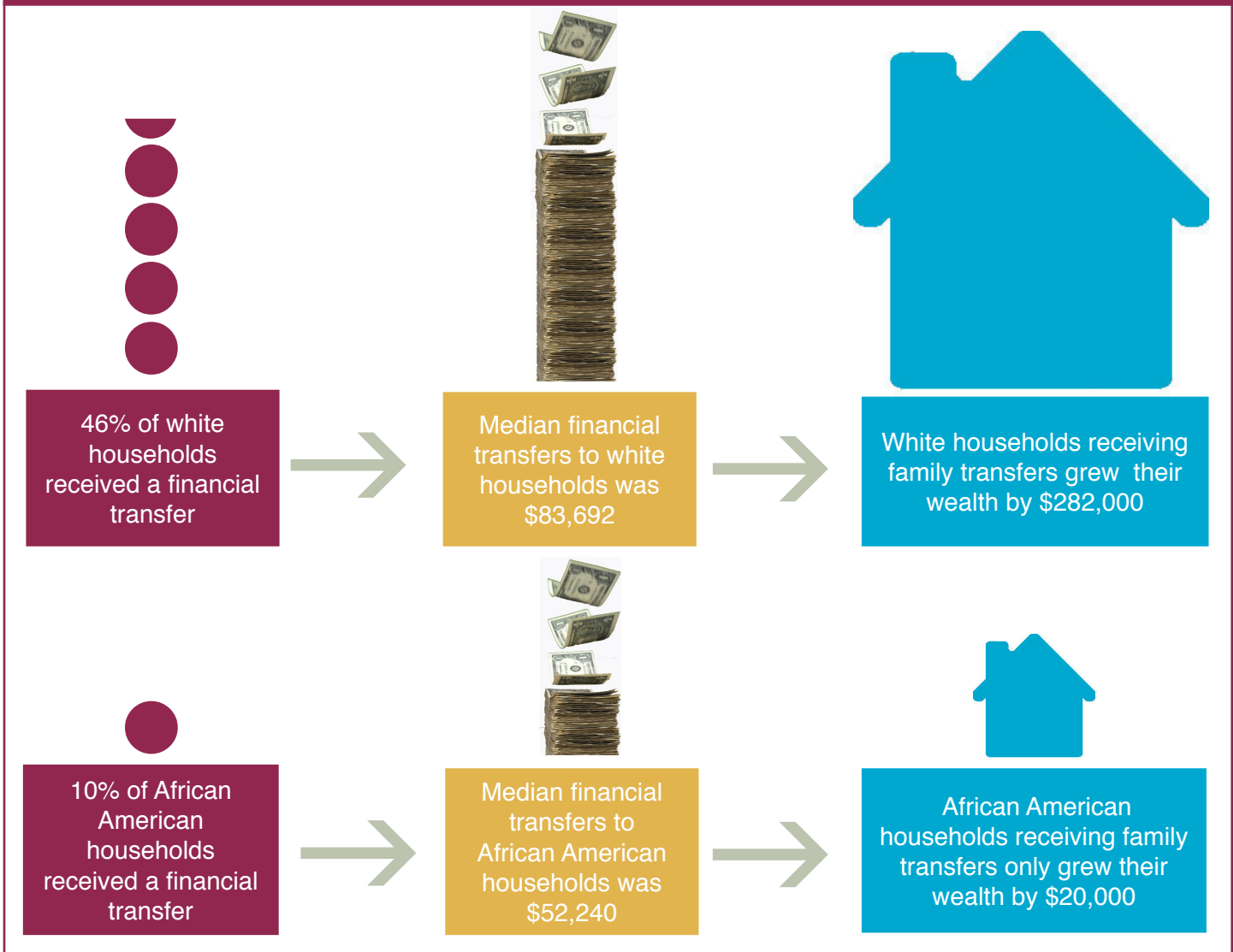
White Households Received Larger Financial Transfers than African American Households

How much money a family receives makes a big difference as to what they can do with it. Of the nearly half of white households who received financial transfers the median amount received was \$83,692.⁷ By contrast, of the one-in ten African American households that received a financial transfer the median amount received was \$52,240.⁸ In other words, an African American household is less likely to receive a financial transfer, and when they do, the median amount is substantially less than that of a white household. Not only is this transfer gap a major driver of the growth in the racial wealth gap,⁹ it also has very real consequences for future opportunity investments.

Households Receiving Financial Transfers Build More Wealth

Households receiving extended family financial resources were able to build significantly more wealth over the study period, regardless of race.¹⁰ For white households that received family transfers, their median wealth grew more than three times over the 27 year study period when compared to white households not as fortunate—\$282,000 vs. \$72,000. African American households that received financial transfers from their relatives also reported higher family wealth gains than African American households who did not receive transfers: the difference is far smaller—\$20,000 versus \$12,000. The fewer and smaller financial transfers that African American households received likely impacted their ability to build wealth over time and contributed to white households seeing on average greater wealth growth for each dollar of family financial assistance received.¹¹

Difference by Race in Financial Transfers and Resultant Wealth Change



Source: PSID data

The Challenge of a Weak Web of Wealth

In addition to smaller and less frequent financial transfers, African American household wealth growth is often constrained not only by lower rates of receiving financial assistance but also by higher rates of providing assistance—financial and non-financial—to relatives in need.¹² This is especially true for middle-income black families' whose parents were over four times more likely to be poor than equivalent white families.¹³ As Ashley Dudley said:

"We're all working class people. I have two brothers...the one brother who works...as a bus driver... another brother who is a surveyor for the state, so we're all working class, we're all blue collar...I can't call them up for money because they are just working too...in both families we're probably the most stable..."

Access to wealth shapes family members' social and economic trajectories. Exploring how families use the web of wealth illuminates why families that receive more financial transfers experience greater wealth over time than families who do not. The following section explores the experiences of families in the *Leveraging Mobility* study who relied on the web of wealth to maintain their well-being and invest in opportunity.

The Web of Wealth: Resiliency, Opportunity and Well-Being

The web of wealth provides a multitude of financial benefits. In addition to directly increasing a family's balance sheet, financial transfers help avoid depleting assets or undertaking expensive debt when faced with unanticipated expenses or reduced income. These direct financial benefits increase the capacity to maintain family member's well-being and invest in their future. The data from the *Leveraging Mobility* study enabled us to look at the flow of wealth within family networks over time and how that wealth is used.

Families in the *Leveraging Mobility* study directly used the financial resources they received from their wealth web for a variety of purposes that can be broadly categorized into four main groups: (1) the private safety net: facilitating resilience; (2) improving family well-being; (3) investments in opportunity; (4) inheriting status.

Intangible Benefits

Access to extended family wealth provides intangible benefits. An example of this is psychological security. This allows a working adult to take on a risky endeavor such as starting a business or becoming self-employed. When parents age it preserves a working adult child's income and savings, since elderly parents have sufficient resources to manage their own care costs.

1. The Private Safety Net: Facilitating Resilience

When families experience unanticipated expenses that they cannot afford, or their income is disrupted—unemployment, divorce, illness—they often turn to relatives to ask for help. Financial transfers from relatives can reduce the impact of a financial disruption.¹⁴ In the *Leveraging Mobility* study, approximately one in five families received extended family financial help to manage an unanticipated expense or financial disruption. In the face of a financial disruption such families were more resilient—capable of staying on track—than those without access to a web of wealth. Family members often helped each other out with small dollar amounts. Donna Hays would loan her sister money when she fell on tough times and then “*If I'm having a bad month, she'll loan me [back] to get through it.*”

Other families received much larger amounts of financial help. When Joseph Hutcheson was in medical school, he and his wife Suzanne received many loans and gifts from their parents. Suzanne was sick and required hospitalization at a cost of \$20,000. Both sets of parents lent money to cover some of the medical expenses. When Joseph and Suzanne's child had to be hospitalized at a cost of \$8,000, their parents covered the entire bill. In the absence of family help, most families would take on debt that would be hard to recover from. Such families incur severe financial consequences including bankruptcy.¹⁵

Family also provided financial support to ease the cost of expensive life events. After her divorce, Ruby Touran's parents helped with some of the household expenses—paying for a stove and refrigerator and covering the mortgage for a month. When Ruby's father eventually went into a nursing home Ruby felt less financially resilient. She had no web of wealth to support her if she faced another unforeseen and potentially costly life event.

Occasionally webs of wealth were tapped for emergency help. Quianna Fountain often drew on support from her brother and sister-in-law. She “*referred to [her] brother and his wife as the Bank of Tim and Marie.*” In the 2010 interview Quianna planned to ask her brother for help again soon:

...when we move [in] the next 45 to 60 days I will probably have to borrow money...from my brother and his wife. You know, at least in the interim until I get the deposit back from this lady. And...you know, I'm going to need to buy a storage shed or something.

The web of wealth provides the means to prevent a family in need from taking out expensive short term loans or from suffering deprivation because of a financial disruption or unanticipated expense.

2. Improving Family Well-Being

Extended family members often helped out by providing cash as gifts, paying for services and durable items, or providing an in-kind service such as childcare. This form of help, while not always strictly financial, makes a huge difference in the quality of life of family members. No longer the safety net, it is a web of gifts, often reciprocated, that helps free up income and wealth for other purposes. In some cases it also allowed families to access services that would otherwise be unavailable. One quarter of the Leveraging Mobility families received help with well-being services that included childcare or childcare costs, buying furniture, wedding costs, fertility treatments and travel for vacations.

The Hutchesons, mentioned earlier, not only received financial help when faced with unanticipated health events but their parents also helped to improve family financial and emotional well-being by giving money and gas cards to them at Christmas and paying for their flights home to visit family:

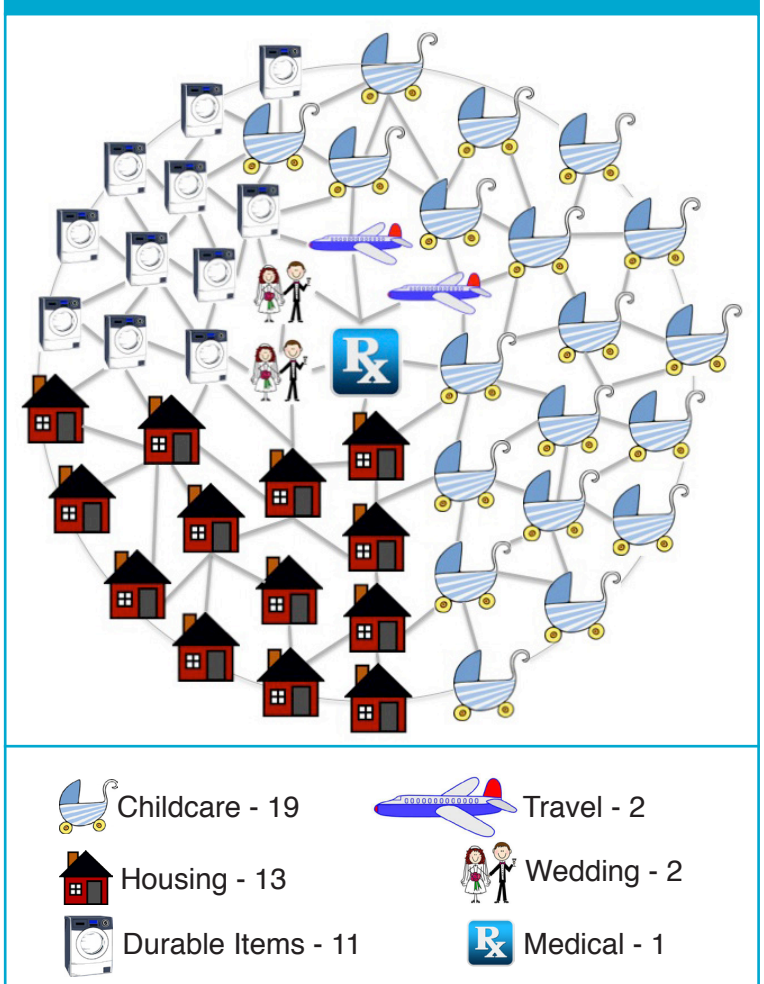
Joseph's parents gave us the gas card, and my parents, every year for Christmas...would just give us money so that we could pay for stuff we needed...maybe for Christmas, we'd get \$600. Way more than a shirt is worth.

Their family support helped them get through medical school without taking on large amounts of debt or dropping out. The flights home to visit family boosted Suzanne's psychological well-being helping her to manage her feelings of home-sickness.

Help with housing is important to both improving well-being and building wealth by avoiding expenses. Over the years Paulette Rotella relied on housing support from her mother. In 1998, she had just moved out of her mother's house, where she was living rent free, into an apartment in the same building. While Paulette had lived in her own place between 1998 and 2010, shortly before the 2010 interview her employer reduced her overtime hours and she was forced to move back in with her mother. Paulette's mother provided a critical support for Paulette ensuring that she did not become homeless.

The Hopkins family also received help with housing that allowed their children to attend an elite public school. Mary Hopkins' father owned a house in an upscale community where she and her family lived rent free for 15 years providing her children access to what she defines as an 'elite' public school system. These kinds of non-financial help offered critical ways for families to save money and maintain well-being and security.

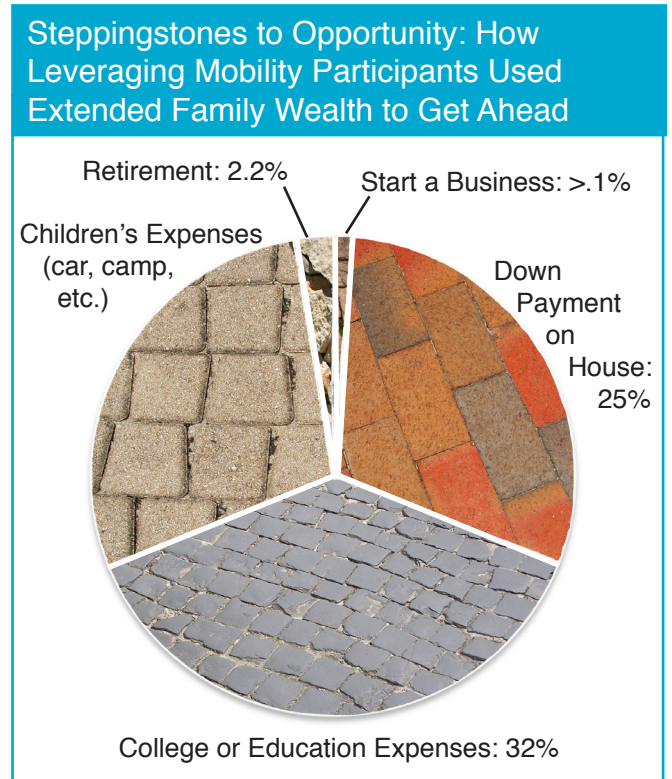
Family Assistance that Improved Family Well-Being:



Source: Leveraging Mobility data

3. Opportunity Investments

In-vivo transfers and inheritances were often used, particularly by middle class families, to provide steppingstones to opportunities for their off-spring. Just under half of the *Leveraging Mobility* families used an in-vivo transfer or part of an inheritance to invest in opportunities for their youngest generation such as kids' camps, private schools, college tutors, a college education, or a home. Despite similar aspirations, race played a role in who was able to translate dreams into opportunities for their children and grandchildren—in the *Leveraging Mobility* data, of all white families interviewed nearly two-thirds received opportunity investments from extended family while only a little more than one-third of African American families interviewed received such opportunity investments. These investments in opportunity pay off down the road. A worker with a bachelor's degree makes 84 percent more over a lifetime than those with only a high school diploma.¹⁶ With help from family members, a first-time home-buyer can purchase earlier offering the opportunity to take advantage of long-run increases in real estate prices. Since white families receive financial help from the web of wealth more often they are better positioned to take advantage of homeownership early in adulthood, on average eight years earlier than their African American counterparts.¹⁷ In fact, the length of time a family owns their home is one of the biggest drivers of the racial wealth gap.¹⁸



Source: *Leveraging Mobility* data

Soledad Givelber and her husband, a middle class African American family, have benefited from prosperous family members assisting with opportunity investments. Prior to 1998, Soledad's parents helped her finance three homes: her first home and two duplex investment properties. Upon the sale of two of the properties she placed the profits into her Individual Retirement Account (IRA). She received additional help from her parents for a \$220,000 down payment on a new home that proved to be a prosperous investment. Rising neighborhood home prices resulted in Soledad almost doubling her down-payment investment on the property. Soledad's parents not only facilitated her real estate investments, they also set aside college savings accounts for each of her two children. These savings paid for her older son to attend community college and will help start her younger son at a Historically Black College and University (HCBU).

Like the Givelbers, Stephanie and Irving Cotter—a white middle class family—have also benefited from opportunity investments from their parents. Irving's mother loaned the couple \$15,000 for a down payment on their first home which has since become a gift. Home equity appreciation translated the original \$15,000 into a \$250,000 profit that they then used as a down payment on a \$490,000 home in a better part of town 15 years later. When each child was born, Irving's mother set up savings accounts for each of her grandchildren, which by 2010 totaled \$120,000. Supplementing these savings with their own earnings, each child, except the youngest, attended college without the assistance of student loans. Their oldest son used some of the funds to put a \$40,000 down payment on his first condo. With less of their personal savings going towards college, the Cotters were able to save a significant amount of money; this provided a financial cushion that the family drew on when Irving was unemployed. The web of wealth enabled significant opportunity investments in the next generation, despite facing the financial disruption of unemployment.

4. Inheriting Status

The ‘stickiness’ of wealth—the next generation being likely to stay in the most wealthy decile—is well documented.¹⁹ The *Leveraging Mobility* data provide insights into how high-wealth status is maintained across generations. Amongst families interviewed, some transfers were sufficiently substantial and steady over time shifting a family’s economic status upwards into a new class. These financial transfers were transformative, providing wealth far beyond the achievements of the individual family members. We call such assets transformative assets. Such transfers were often in the form of capital—stocks, bonds, land—and provided a secure source of income for the family. Just over one in four *Leveraging Mobility* families received a financial transfer in the form of capital that was large enough to provide income. In some cases bonds were passed onto grandchildren ostensibly to eventually provide money for college costs. These large transfers (greater than \$50,000) occurred overwhelmingly to white families. Amongst families interviewed, nearly nine out of ten families that received more than \$50,000 in financial help were white while just over one in ten were African American. These transfers were not just a one-time chunk of money; they often provided a real or potential stream of income allowing a base income for family members to support their otherwise financially unfeasible dreams. Often, these large capital transfers significantly and rapidly increased the receiving family’s upward trajectory and lifestyle.

The Bzdells provide a good illustration. Until just shortly before the 2010 interview, Jessica and Nicole Bzdell lived in a house in an East Coast city neighborhood. Both worked in non-profit jobs; their combined household income was \$80,000. They did not have savings for college so they used their home’s equity to pay for their daughter’s college. Nicole’s mother lent them \$300,000 to purchase a rural farm with the intention of moving in with them. While waiting for their urban home to sell Nicole’s mother passed away. Nicole was surprised to discover that she was the sole beneficiary of her mother’s estate valued at \$1 million in stocks and at least \$300,000 in cash. When the urban house sold they netted an additional \$200,000. Jessica and Nicole now had minimal housing expenses, an annual income of \$40,000 from the stocks and cash to draw on if needed. Despite Nicole’s health related unemployment Jessica could still take her \$25,000 a year dream job. Even though Jessica was uneasy about her newfound status, parental wealth enabled Nicole and Jessica to buy a farm and give their daughter the opportunity to pursue a career in farming, a difficult financial endeavor due to the cost of land. This inheritance shifted the family into the top decile of wealth holdings in the U.S. Jessica and Nicole inherited Nicole’s mother’s wealth status, moving them beyond their own achievements in work and education. With sufficient stocks to provide income and workable land all family members were able to pursue life goals while maintaining a revenue producing form of capital for the long-term.



The web of wealth assists families in a variety of ways: from providing a private safety net that creates family economic resilience, to opportunity investments in the next generation, to transforming economic status. The web of wealth, when available, clearly provides a range of benefits. What happens when families do not have access to a web of wealth? How do they manage the inevitable financial disruptions that characterize the life-course? What strategies do they use to make opportunity investments and ensure that the next generation has opportunities for mobility? The following section will seek to answer these questions through the experiences of families interviewed in the *Leveraging Mobility* study.

Without a Web of Wealth

Families who lack a wealth web to provide resilience in a financial emergency or assist them in investing in an opportunity are more often African American, Hispanic²⁰ or low-income. Amongst families interviewed, there were a variety of reasons why participants did not receive financial help. The most common case was that the extended family lacked wealth or the extended family had all passed away. When asked about the help she might have received from other family members Ashley Dudley, an African American mother, observed that she was the most stable out of her extended family.

A relative's changing financial circumstances could reduce the resilience provided by the wealth web. Patricia Arrora, also African American, had to stop providing help to her adult son soon after her husband became unemployed because they struggled to keep up with their own mortgage payments. Traditionally, her son often called on her for help with expenses like new tires or a household bill.

Sometimes it was not financial capacity but relationships that prevented access to resources in times of need. Gwedolin Rollins' lived with her father until he passed away. Shortly after his death she lost her job. Because of her sexual orientation, her siblings and in-laws refused to help her; she was kicked out of the family house, where she had previously lived with her father and became homeless. On occasion, one sister helped her out but nobody would allow Gwedolin to live with them. When we spoke to her in 2010, she was still struggling with homelessness and without employment, unable to get back on her feet.

As evidenced by Gwedolin's story, without access to a dense and strong web of wealth staying on track can be hard. Building wealth is also difficult. Without a wealth web, when families hit financial potholes they have to draw on their own personal wealth or go into debt. They may also need more assistance from government programs and are less likely to be able to purchase a house in a neighborhood with high-performing schools.

The *Leveraging Mobility* interviews demonstrated that families without wealth webs could still be resilient and make opportunity investments by building wealth in alternative ways. For example, Heather Beanne had no wealth web. Referring to her children and herself she said "*We're from a family of...addicts.*" After beating her addiction she trained as a teacher, Heather worked hard to save for a home. Fortunately her teacher's union had a first-time homebuyers program that reduced the closing costs making the mortgage financially feasible. Heather fixed up her new house by herself without help from her family. Her house provides her with a sense of stability and security. Seeing the importance of the web of wealth, she has purchased a significant life insurance policy to ensure that she leaves her children with some "head start assets."

In the absence of extended family wealth, Margaret and Albert Dove, an African American couple, built wealth through employment capital (access to benefits and programs through work that facilitated wealth-building and opportunity investments.)²¹ Other families drew on a mix of public and private programs: state supports to help pay for college, churches to provide assistance with education expenses, YMCA and public school scholarships for kids' camps and activities, and a private organization focused on helping families of color access private schools. These alternative strategies represent public wealth that is shared through taxes and philanthropy offering a safety net as well as opportunity investments for families without a private wealth web.

Inheriting Debt

In some cases instead of inheriting money, families inherit debt. Dexter and Diana Kiley, an African American couple, had to help Dexter's dad out when he inherited debt from his wife.

My parents are deceased. My mom died in '92 leaving my dad heavily in debt. Credit cards and stuff and I had to help [with] that debt. And then my dad died in '98 and there really wasn't anything there. And my sister, my parents put the house in trust for my one sister to live there as long as she wants so that's where the house is. So my parents just left debt essentially.

The data in the *Leveraging Mobility* study suggest that in the absence of a private web of wealth, state and federal programs, philanthropy, employers, and the non-profit sector are capable of providing the equivalent set of opportunities for mobility. However, these resources need to be expanded to meet the needs of the two-thirds of working age families who do not receive extended family financial transfers. The following section reviews policy recommendations that will strengthen the programs and policies that will build family resilience and realize opportunities for all families.

Building Equity in Access to Resiliency and Opportunity

Real inequities in well-being and opportunity result from a family's ability to access the deep pocket resources that a strong web of wealth provides. For those who are able to access a wealth web such resources mean greater resilience in the face of economic disruptions and the capacity to pursue opportunities and aspirations for the next generation. Families without the web of wealth face difficulty in maintaining family well-being and enabling inter-generational upward mobility.

The unequal wealth-web distribution is both a consequence of and a contributor to the growing racial wealth gap. Policy has a role to play in ensuring that all families have the opportunity to realize their dreams. Policy should also address the structures that create and exacerbate the racial wealth gap. Unfortunately, in recent years, policy has been moving in the wrong direction, for example, the reduction of the scope of the estate tax. This is a key tool in preventing concentrations of wealth held in perpetuity in the hands of a minority of families. Promoting a broader inheritance and gift tax will provide needed revenue expanding a host of opportunity and resilience programs as outlined below.²²

Ensure Family Resiliency and Well-Being

Family resiliency and well-being is established by providing public programs that offer emergency funds and services. A strong system was established in the twentieth century and with some updating can meet the needs of twenty-first century working families who do not have access to a web of wealth. The following recommendations strengthen that existing system:

- **Expand community wealth sharing:** When the web of wealth is not available, alternatives tend to be expensive loan products or deprivation and foregoing opportunity. Establishing and expanding pooled community funds that families can turn to when faced with qualifying income-disrupting events (e.g. widowhood, health events, unemployment) could help reduce some of the immediate hardships and opportunity disruptions from an unexpected financial pothole. For example, the Saint Paul Foundation's Community Sharing Fund provides emergency stop-gap resources.²³ Another example is the informal lending circles or "cestas"; this is a communal alternative to traditional banking and is organized by immigrant groups. These two examples provide good models of wealth-sharing pools that can be formalized and scaled up.^{24,25}
- **Update unemployment insurance:** States set the parameters for when a worker qualifies for unemployment insurance; this is determined by the amount of base income a worker earned during the previous 12 months of employment. Some states have updated their program qualifications to better meet the needs of the current workforce, while others have not. As a result, a large percentage of part-time and contingent workers are not eligible for unemployment insurance. Federal law reform will increase the number of workers eligible for the program.²⁶ Often, workers do not realize that they qualify for the program. Increasing public awareness about eligibility and how to file could increase the numbers of families receiving these benefits.

- **Expand the supply of affordable housing and emergency housing:** In the absence of family members that can open their doors in an emergency, access to affordable and emergency housing in many parts of the country is challenging because the demand outstrips the supply. As a result, many families are on waiting lists often for many years.²⁷ Without extended family resources to draw on, some end up homeless like Gwedolin Rollins. Permanently expanding the supply of affordable housing, emergency housing programs (shelters), and rapid re-housing programs²⁸ will enable greater family resiliency in the absence of a strong family web of resources.

Rapid Re-Housing Programs

Rapid re-housing places a priority on moving a family or individual experiencing homelessness into permanent housing as quickly as possible, ideally within 30 days of a client becoming homeless and entering a program. Rapid rehousing includes three components: housing identification, rent and move-in assistance (financial), and rapid re-housing case management and services.²⁹

Enable Opportunity Investments

In addition to building family resilience, the web of wealth is a resource drawn on for opportunity investments—buying a first home, sending a child to college—that pay off down the road. Government and private programs can expand the reach of programs that already invest in these opportunities, meeting the needs of the two-thirds of the population that cannot draw on a private web of wealth. The recommendations below are not exhaustive but rather a starting point:

- **Expand matched child savings accounts:** Matched child savings accounts build the individual financial resources that a child can draw on when making opportunity investment decisions as a young adult. A variety of different child savings accounts are currently being tested across the U.S. from the SEED accounts³⁰ to Maine’s college savings accounts.³¹ Ensuring that the child savings account is matched with public dollars helps mirror the private transfer of resources to those positioned in a strong web of wealth. It is critical to safeguard the money from these accounts so that it can be used for a broad range of opportunity investments.
- **Expand Pell Grants and subsidized loan funds for college:** The federal government already has a system for supporting low-resourced children in attending college through Pell Grants and subsidized loan programs. Expanding the reach of these programs will enable additional low-resourced families, who lack a web of wealth, to invest in their education. Colleges and universities can also expand their capacity to provide financial aid.
- **Continue and expand first-time homebuyer assistance programs:** Many cities and states have first-time homebuyer assistance programs that assist families with information, down payments, loan terms, and closing costs. However, these programs can be expanded to first-time homebuyers in more cities and states.
- **Reduce the requirements for down payments while maintaining capacity to pay:** Ensure that the terms set by the federal government for underwriting mortgages and enables lower-resourced families to access homeownership with smaller down payment requirements. The Community Advantage Program at Self-Help Credit Union offers a model of sustainable low-income mortgage lending.³²

Working Toward Equity

The webs of wealth that families have access to mirror and exacerbate the broader inequities in the distribution of wealth by race and class in the U.S. Ultimately, the goal is to ensure that families all have equal access to the same set of benefits—well-being, security, and opportunity—obtained through access to a strong web of wealth. Yet, as this study demonstrates, while nearly half of white households over a 27 year period benefitted financially from family assistance, 90 percent of African American families did not. This is a function of the underlying skewed distribution of wealth in the U.S. Government has a role to play in restructuring policy to more equitably build wealth.

The United States has always had wealth generating policies dating back to the Homestead Act and land grant colleges. Vigorous wealth-building policies benefit those who are at the top while disadvantaging the working and middle class. These policies contribute to the current historic levels of wealth inequality. One prime example of this comes in the form of homeownership tax subsidies which in 2012 totaled \$187 billion.³³ These subsidies are primarily a result of the mortgage interest deduction. Very little of those funds flow to low and middle income quintile families. Yet nearly three quarters of the funds (72%) flow to the top income quintile.³⁴ If we truly wish to work towards a more equitable distribution of wealth—where low and moderate income and families of color equally share in the benefits of wealth building policy—we need to ensure that current retirement, homeownership, and educational policies do not inequitably distribute wealth to the most affluent. There needs to be a fair distribution of public investment to historically deprived communities so that the promise of meritocracy offered in the founding documents can finally be realized.

About the Leveraging Mobility Series

This and other briefs in the *Leveraging Mobility* series draw on a unique dataset of in-depth interviews conducted at two points in time, offering a rare look at family financial lives and the decisions and trade-offs families made between financial security and opportunities during a decade of particular economic volatility. In 1998 the original sample of 180 was selected to ensure that half the sample was white families and half was African-American families and included an equal split of working class and middle class families. At baseline, families had children aged between 3 and 10 years old. More than 12 years later, these children were at the end of their high-school career or beyond when the second wave of 137 interviews was conducted between 2010 and 2012. The parents are now in the latter half of their working lives, between 40 and 60 years old. Due to constraints in the longitudinal data in the Panel Survey of Income Dynamics that we use to track changes in wealth, we focus on white and African American families.

The families were located in three urban cities in 1998: one on the East Coast, one on the West Coast, and one in the Midwest. At the time of the second interviews the majority lived in the same city or nearby, a few had moved to other states where they were contacted and interviewed. The baseline and follow-up interviews covered information about the children's education histories, the community or communities where they had resided previously and currently, their household income and expenditures, household wealth and debt, their work history, family financial and non-financial assistance, and reflections about their economic security and decisions they had made related to using their assets.

End Notes

¹Conley, D., & Glauber, R. (July 2008). “Wealth Mobility and Volatility in Black and White”. Washington, DC: Center for American Progress.

²McKernan, S.-M., Ratcliffe, C., Simms, M., & Zhang, S. (2011). “Private Transfers, Race, and Wealth.” *Opportunity and Ownership Project, Report 5*. Washington, DC: The Urban Institute.

³PSID analysis completed by Tatjana Meschede.

⁴Family financial assistance combines two PSID variables: transfers and inheritance, to include smaller and larger amounts of such assistance.

⁵Throughout this report we refer to both households and families. The PSID data is measured at the household level. Household includes any individual residing in the same housing unit. The *Leveraging Mobility* data uses family as a unit of analysis. Family refers to parents and children who are living together and sharing resources.

⁶Conley, D., & Glauber, R. (July 2008). “Wealth Mobility and Volatility in Black and White”. Washington, DC: Center for American Progress.

⁷All dollar amounts have been adjusted to represent 2011 values.

⁸This includes only families who received any inheritance.

⁹Shapiro, T., Meschede, T., & Osoro, S. (February 2013). “The Roots of the Widening Racial Wealth Gap: Explaining the Black-White Economic Divide”. Waltham: Institute on Assets and Social Policy.

¹⁰Research has documented the importance of in-vivo and inheritance transfers in increasing the wealth of the receiving family even controlling for other factors. See McKernan, S.-M., Ratcliffe, C., Simms, M., & Zhang, S. (2011). “Private Transfers, Race, and Wealth.” *Opportunity and Ownership Project, Report 5*. Washington, DC: The Urban Institute.

¹¹Shapiro, T., Meschede, T., & Osoro, S. (February 2013). “The Roots of the Widening Racial Wealth Gap: Explaining the Black-White Economic Divide”. Waltham: Institute on Assets and Social Policy.

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¹⁵Himmelstein, D.U., Thorne, D., Warren, E., & Woolhandler, S. (August 2009). “Medical Bankruptcy in the United States, 2007: Results of a National Study”. *American Journal of Medicine*, 122(8), 741-746.

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¹⁷Shapiro, T., Meschede, T., & Osoro, S. (February 2013). “The Roots of the Widening Racial Wealth Gap: Explaining the Black-White Economic Divide”. Waltham: Institute on Assets and Social Policy.

¹⁸Ibid

¹⁹“Pursuing the American Dream: Economic Mobility Across Generations”. (July 2012). *Economic Mobility Project*. Washington, DC: The PEW Charitable Trusts.

²⁰McKernan, S.-M., Ratcliffe, C., Simms, M., & Zhang, S. (2011). “Private Transfers, Race, and Wealth”. *Opportunity and Ownership Project, Report 5*. Washington, DC: The Urban Institute.

²¹Thomas, H., Boguslaw, J., Chaganti, S., Atkinson, A., & Shapiro, T. (December 2013). “Employment Capital: How Work Builds and Protects Family Wealth and Security”. *Leveraging Mobility Series*. Waltham: Institute on Assets and Social Policy.

²²Caron, P.L. & Repetti, J.R.. “Revitalizing the Estate Tax: Five Easy Pieces”. (March 2014). *Tax Notes*, Vol. 142, 2014; Boston College Law School Legal Studies Research Paper No. 318.

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- ²⁷New Hampshire Housing. *Federal Housing Choice Voucher Rental Assistance*. Retrieved June 2014 from <http://www.nhhfa.org/rental-housing-choice-vouchers.cfm>
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About the Institute on Assets and Social Policy

The Institute on Assets and Social Policy (IASP) is dedicated to advancing economic opportunity, security and equity for individuals and families, particularly those left out of the economic mainstream. Our work is premised on the understanding that assets provide the tangible resources that help individuals move out of and stay out of poverty, as well as inspiring effective individual, community, state and national actions through the belief that security, stability, and upward mobility are indeed possible.

This brief is the fourth in the *Leveraging Mobility* series. Earlier briefs include:

- Leveraging Mobility: Building Wealth, Security and Opportunity for Family Well-Being
- Employment Capital: How Work Builds and Protects Family Wealth and Security
- Keeping Dreams Alive: The Lane-Changer Costs of Financial Disruptions

Future 2014 briefs will include:

- Location, location, location: the returns from neighborhood
- Managing retirement insecurity: how families respond to uncertain economic times

Additional reports and briefs that draw on these interviews can be found on our website: www.iasp.brandeis.edu.

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