

# 101 SOLUTIONS FOR INCLUSIVE WEALTH BUILDING



**FINANCIAL  
SECURITY  
PROGRAM**  
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## | ABOUT THE ASPEN INSTITUTE FINANCIAL SECURITY PROGRAM

The Aspen Institute Financial Security Program's (Aspen FSP) mission is to illuminate and solve the most critical financial challenges facing American households and to make financial security for all a top national priority. We aim for nothing less than a more inclusive economy with reduced wealth inequality and shared prosperity. We believe that transformational change requires innovation, trust, leadership, and entrepreneurial thinking. Aspen FSP galvanizes a diverse set of leaders across the public, private, and nonprofit sectors to solve the most critical challenges. We do this through deep, deliberate private and public dialogues and by elevating evidence-based research and solutions that will strengthen the financial health and security of financially vulnerable Americans.

To learn more, visit [AspenFSP.org](https://AspenFSP.org), follow [@AspenFSP](https://twitter.com/AspenFSP) on Twitter, or sign up for our newsletter at <http://bit.ly/fspnewsletter>.

# Executive Summary

Having wealth, or a family's assets minus their debts, is important not just for the rich—everyone needs wealth to thrive. Yet building the amount of wealth needed to thrive is a major challenge. Nearly 13 million U.S. households have negative net worth. Millions more are low wealth; they do not have the assets or liquidity needed to maintain financial stability and invest in themselves in the present, nor are they on track to accumulate the amount of wealth they will need to have financial security in retirement. Together, these groups represent at least half of all U.S. households.

Not having wealth leaves people less able to invest in economic mobility; support family, community, and future generations; care for their health and well-being; and feel a sense of control and dignity in life. For a large share of people and families in America, wealth is out of reach—and without it, financial security is nearly impossible.

This report examines what it will take to create truly shared prosperity in the United States. It is focused on solutions that would grow the wealth of households in the bottom half of the wealth distribution, and it explores reparative approaches to building the wealth of Black, Indigenous, and other people of color (BIPOC). It is a companion to, and builds upon, the Aspen Institute Financial Security Program's years of work on household financial stability and security. It is designed to provide stakeholders across sectors with a set of actionable ideas to support the goal of a more financially secure and prosperous future for everyone. Policymakers, financial industry leaders, and employers, in particular, can use this report to better understand the wide range of evidence-based solutions and innovative proposals that they can act on to be leaders in this work.

## Multiple factors contribute to the typical family in America having little wealth today

Everybody deserves financial security, but most people do not have the wealth required to pursue it. This has become a more common experience in recent decades. During the Great Recession, households in the bottom half of the wealth distribution lost more than 40% of their wealth.<sup>1</sup>

Median household wealth declined from \$149,360 in 2007 to \$121,760 in 2019.<sup>2</sup> The top fifth of households by net worth are the exception. They were 8.5% wealthier in 2019 than they were in 2007.

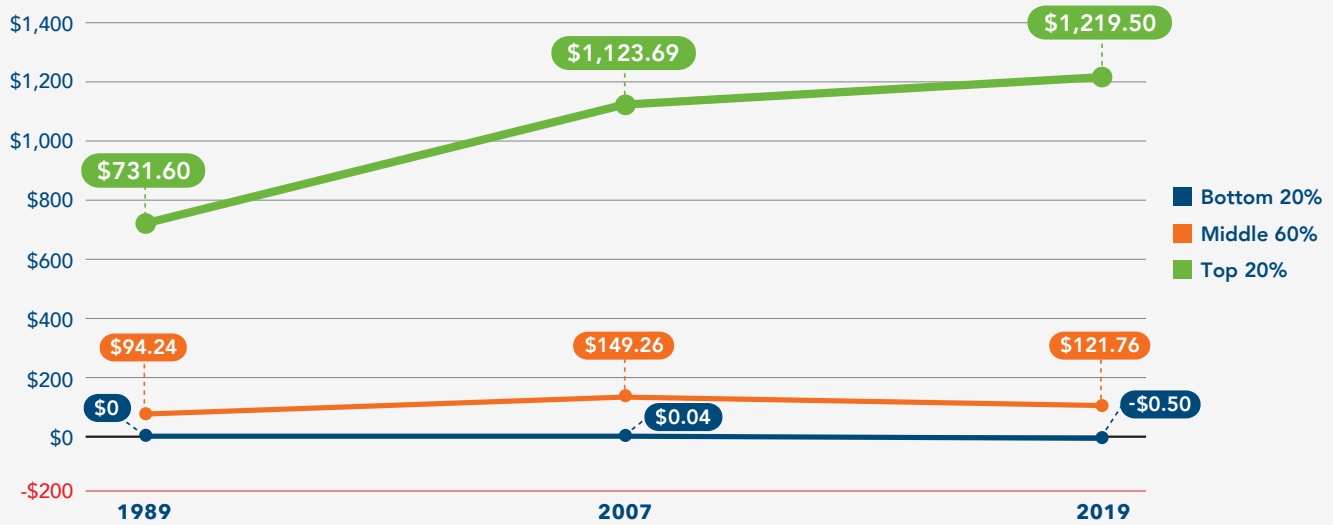
Today, the bottom 50% of U.S. households by net worth own just 2% of all household wealth. In dramatic contrast, the wealthiest 1% of households own one third of all household wealth. Long-term drivers of declining wealth for the typical household include income stagnation and decades of rising costs for health care, higher education, and housing; the concentration of jobs and economic activity in a small number of large corporations; the decline of unionization; and the

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## Median Household Wealth by Percentile of Net Worth (1989-2019)

The wealth of the top 20% has skyrocketed above everyone else's.



Data is displayed in thousands of 2019 U.S. dollars.

Source: Aspen FSP analysis of Federal Reserve Board, 2019 Survey of Consumer Finances.

See [Table 1](#) in Appendix B.

rise of gig work. Other drivers include the erosion of social safety nets; a rise in consumer debt—especially student loan debt; and the massive loss of home equity experienced by households as a result of the foreclosure crisis of 2008 to 2012. The majority of households had less wealth in 2019, right before the COVID-19 pandemic, than they owned in 2007, despite having experienced the longest economic expansion in U.S. history.

Alongside these macro trends, many people face particular barriers preventing them from accumulating even modest amounts of wealth. Some people lack wealth because they are affected by discrimination and systemic exclusion from economic, political, and social systems. This includes people of color—especially Black and Native people—cisgender and transgender women, LGBTQ people, and disabled people, among others. Members of these groups require focused efforts by leaders in all sectors to help them build wealth.



**Today, the bottom 50% of US households by net worth own just 2% of all household wealth. In contrast, the wealthiest 1% of households own one third of all household wealth.**



## There are plentiful opportunities to help low-wealth households build their net worth

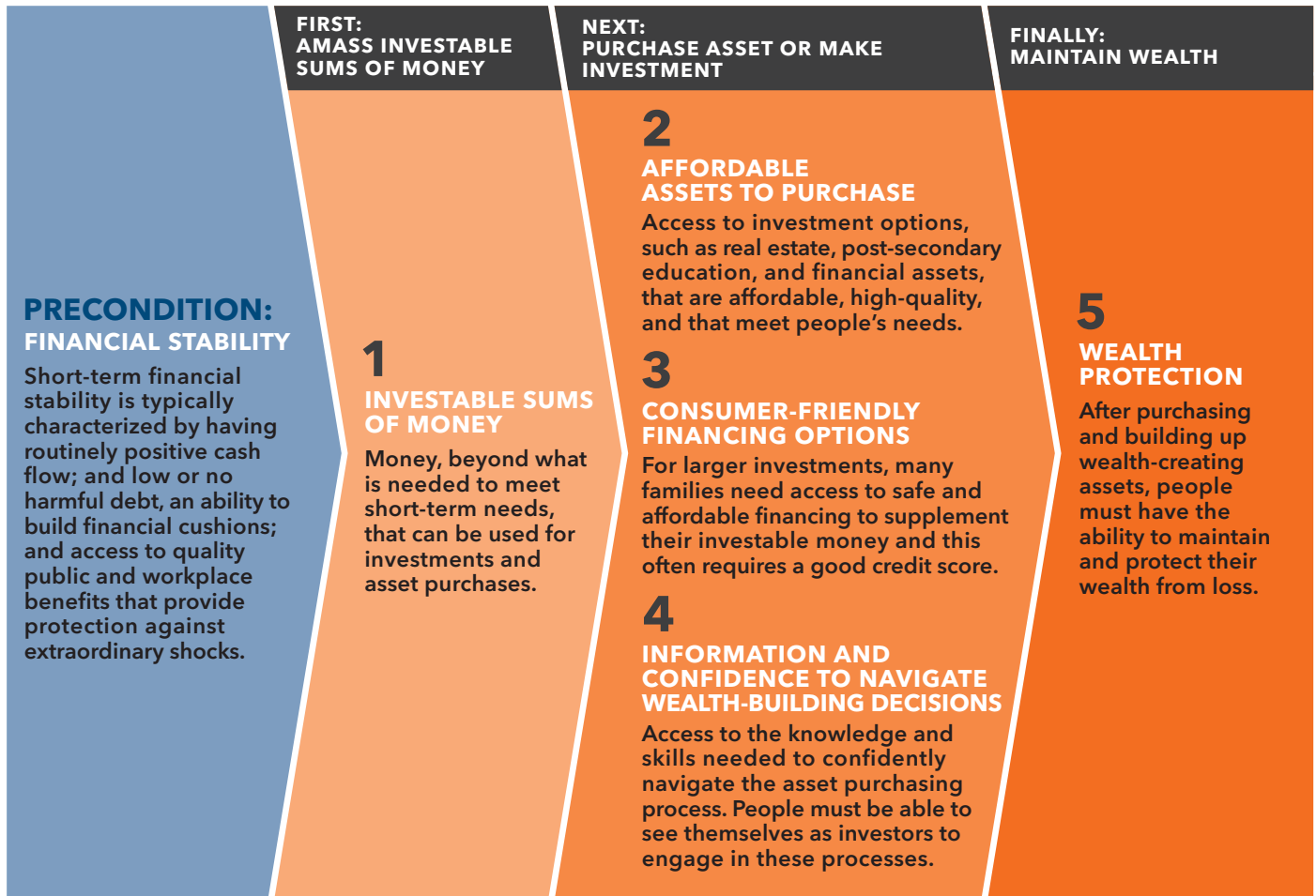
While the challenges are numerous and will take effort and resources to solve, there is reason for optimism. In fact, there are at least 101 reasons.

This report examines what it will take to allow all U.S. households to succeed at wealth building at every opportunity—from amassing investable sums of money, to purchasing assets, to protecting households' wealth over time—and explores how it can be done.

For each of the necessary conditions for wealth building, we set a series of objectives that, if achieved, would enable low-wealth households and households of color to successfully and sustainably build wealth. We then follow this with a series of solutions that directly address barriers to building wealth and are either backed by evidence or represent highly promising innovations. Among these many public policy solutions, and a wide variety of options for leaders in the financial industry, both profit-driven and mission-driven organizations, major employers, philanthropic institutions, and nonprofit service providers.

## Five Conditions - and One Precondition - Support Successful Wealth Building

People need each of the conditions below to be available to them—and at the right time—to build wealth.



### PRECONDITION: FINANCIAL STABILITY

To build wealth, households need to achieve **the precondition of financial stability** so they can cover their short-term needs and still set aside savings. The key elements of financial stability include having routinely positive cash flow and low or no harmful debt, the ability to build financial cushions, and access to quality public and workplace benefits that protect against shocks.

### FIRST: AMASS INVESTABLE SUMS OF MONEY

People and families who have a baseline of financial stability are able to build wealth when an additional five conditions are in place:

- 1. Investable sums of money.** Households can only accumulate wealth if they have the funds available to invest in it. These funds can be acquired through wages, non-labor

income and transfers (such as benefits, capital income, or the transfer of investable sums from institutions to people), and easily accessible liquid savings. Once households have more than enough income and savings to cover their typical expenses and be prepared for emergencies, then they can invest in key assets that secure their long-term financial well-being and provide the resources to live as they wish. These assets include but are not limited to homeownership, vehicles, higher education, securities, and retirement accounts.

Solutions that help people amass investable sums begin with ensuring that they have financial stability. The solutions included in this report include proposals to increase low- and moderate-income households' labor and non-labor income, reduce the cost of living, reduce or eliminate harmful debts, and create robust, inclusive systems to transfer money from institutions to individuals or households. This report also includes strategies that would help people amass investable sums through savings matches.

## NEXT: PURCHASE ASSET OR MAKE INVESTMENT

Financially stable households who have saved enough to begin investing or purchasing assets need three conditions in place simultaneously to make an asset purchase: access to affordable assets, access to consumer-friendly financing for assets too costly to purchase outright, and the information and confidence to navigate wealth-building decisions.

### 2. Access to affordable assets to purchase.

For households to grow their wealth, assets of various kinds need to be affordable and accessible. Sometimes assets are difficult to access due to scarcity, such as a lack of homes for sale, while other assets, such as stocks, may be easily available to some people but not others. When assets are difficult to purchase or invest in, the keys to wealth such as a home or a retirement account will be out of reach even for people who have amassed investable sums. Assets may also not be available to people depending on their location, workplace benefits (or lack thereof), age, race, gender, education, disability status, or citizenship status. It is imperative that markets and policies are designed to ensure that everyone has the capacity and opportunities to purchase assets.

Solutions that ensure people have access to affordable assets to purchase focus on specific assets—college degrees, homes, and retirement savings accounts. Solutions to make college degrees affordable relate primarily to public funding for public institutions of higher education and increased spending on need-based grants. Real estate-related solutions address the acute, historic mismatch between demand for housing and its supply. Finally, these solutions also address innovations in new asset classes, such as cryptocurrencies, and ownership structures that support cooperative asset ownership.

**3. Access to consumer-friendly financing.** Many assets—such as a vehicle or a home—are typically too expensive for most households to purchase outright. For these assets, households will need to finance their purchase. It is important that asset financing is safe and affordable so that households do not incur unsustainable levels of debt. Being able to secure high-quality

financing also depends on having a good credit score. Solutions that ensure more people have access to affordable, safe financing to purchase assets such as college degrees and homes begin with ensuring everyone has access to basic banking services and access to safe, affordable credit—including reforms to credit reporting and scoring practices. This section of the report also covers small business financing and financing for shared ownership and cooperatively owned assets.

**4. Information and confidence to navigate wealth-building decisions.** Households may forgo asset purchases if people are daunted by the complexity of financial information or a lack of comfort and familiarity with the institutions and processes involved. To overcome this, people need access to knowledge, skills and trusted advice, as well as familiarity with relevant institutions to make it easier to navigate financial decisions and investment processes. It is also important that individuals develop an investor identity so that they enter new financial arrangements with confidence, rather than believing that investments are only for “wealthy” people with financial know-how.

Solutions that facilitate people’s efforts to navigate wealth-building decisions with confidence range from broad to narrowly targeted. Broad solutions relate to people’s general sources of financial information and personal finance advice, while other solutions are connected to a specific asset purchase or tailored to specific populations. The solutions included here would make relevant financial knowledge easily accessible, understandable, and trusted. They are often directly connected to specific asset purchases, and include options tailored to the needs of specific populations, including youth and people of color.

## FINALLY: MAINTAIN WEALTH

Finally, people who have purchased assets, invested, and built wealth must be able to protect and preserve their wealth over time.

**5. Wealth protection.** Households must be protected against wealth-stripping policies and risks. Policies that chip away at wealth



have reduced the prospects of many families, especially those of color. Wealth is also vulnerable to a variety of risks such as increasing healthcare needs, market fluctuations and, increasingly, climate change. Solutions such as consumer protections and insurance against risk can protect households' hard-earned wealth.

Solutions to better protect household wealth include traditional strategies such as insurance for personal assets and consumer and investor protections against wealth stripping, as well as innovative new ideas. While there are existing solutions to help people save, invest, and purchase assets, wealth protection has not been as much of a priority for policymakers or financial industry leaders. So this is an area with fewer well-developed solutions. We need new ideas and innovations.

The final set of solutions explore applying reparative approaches to building the wealth of Black, Indigenous, and other people of color (BIPOC). Building wealth equitably across the full population of low-wealth households requires addressing discrimination and systemic exclusion that impacts people's financial lives. It also requires efforts to repair harm done or provide recompense to those who have been subject to wealth-stripping laws and policies for centuries—especially (but not exclusively) Black and Indigenous people. This is important because that history has led directly to the outcome that they have the least wealth today. Solutions include reparations—direct cash payments from governments to members of these groups—land reclamation, debt-free higher education, targeted down payment assistance programs, and investments in Native-led and Black-led financial institutions and wealth-building initiatives.

**Leaders can take bold action today to ensure that the future of wealth is one of shared prosperity and greater racial equality**

All the solutions included in this report reflect the conviction that people will succeed at building wealth if they have the right resources, supports, and incentives. Most people already save money when they can, but they must draw on their savings to manage cash flow shocks too

often to build up large amounts.<sup>3</sup> The minority of people who are not saving at all are frequently struggling to survive. While there are some common human behavioral challenges to saving and accumulating wealth across all income and wealth segments, those challenges can usually be most effectively addressed through policy and product design and implementation. Everyone needs access to clear, accurate financial information and trusted advice, but those approaches alone cannot solve the large structural barriers to wealth building. Rather, leaders with the power to create change must understand and tackle structural barriers.

We encourage leaders in the public sector and financial industry, as well as major employers, philanthropic institutions, and nonprofit organizations to recognize their power to create a future of shared prosperity and help close racial wealth gaps—and to take bold action. The 101 solutions included in this report can provide inspiration, resources to learn more, and next steps for those interested in pursuing specific solutions.

# Introduction

Wealth, or net worth, is the value of all the savings and assets that a person, family, or household owns, minus their debts. Having wealth provides financial and non-financial benefits to families and their communities. Net worth adds up to more than a number—it is the sum of the material resources people have at their disposal to maintain financial stability, solve problems in their lives, take care of their loved ones, invest in their well-being, and pursue long-term goals. As such, it is necessary for the well-being of households with lower and moderate incomes, just as it is for those with higher incomes.

This report examines what it will take to create truly shared prosperity in the United States. It presents a range of potential solutions. It is focused on solutions that grow the wealth of households in the bottom half of the wealth distribution and explores reparative approaches to building the wealth of Black, Indigenous and other people of color (BIPOC). It is a companion to, and builds upon, the Aspen Institute Financial Security Program's years of work on financial stability and security. Leaders at every level and in every sector can and should work to reform the country's wealth-building systems so they are inclusive, equitable, and effective in providing wealth-building opportunities to everyone. Systemic change is possible, and this report provides 101 opportunities to do so.



## Everyone deserves to be able to build wealth, but not everyone has opportunities

Everyone in America deserves to be able to build wealth—that is implicit in the Declaration of Independence's foundational claim, that all people have unalienable rights to life, liberty, and the pursuit of happiness. That has not, however, been most people's experience throughout U.S. history, which is filled with peoples' struggles to have their rights recognized and respected. Today, the typical family has little wealth, and the weight of our debts is interfering with liberties as fundamental as living independently and having children.

In the U.S., having some amount of wealth is necessary to thrive, given the "great risk shift" of the past several decades (e.g., the replacement of pensions with 401(k)s), the financialization of private industries and social institutions alike, and public systems' reliance on private markets to deliver household supports and services. In this context, wealth is often a prerequisite for people to maintain stability in their lives when they inevitably face challenges, to experience upward economic mobility, and to maintain physical and mental health. This makes wealth building a high-stakes endeavor for individuals and families, impacting far more than just their finances.

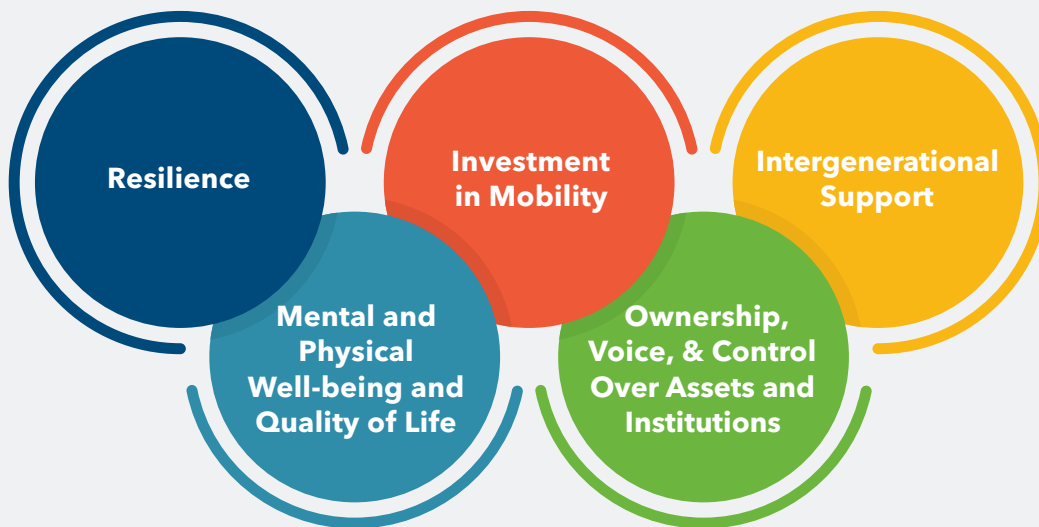
Even if public systems were fully reformed, personal wealth would remain a vital resource for everyone. Having wealth enables people to invest in themselves and their children, pursue their personal interests, start new businesses, and fully engage in civic life. Wealth also facilitates independence and safety for people in crisis, such as those experiencing domestic violence or young adults whose parents reject them. These factors make wealth building one of peoples' most common goals.

## Wealth is not just money—it is a tool people can use to achieve non-financial goals and live satisfying lives

Aspen FSP has identified five primary functions of wealth.<sup>4</sup>



### The Five Functions of Wealth



- 1. Wealth provides resilience.** Having wealth protects people's ability to meet their needs and keep working toward their goals in the face of volatility of income and expenses. It also allows individuals to provide support and resilience to others in their social networks and communities.
- 2. Wealth enables investments in mobility.** Having wealth allows people to make investments that can boost their income, stabilize or reduce their costs of living, and grow their wealth. People use their wealth to build more wealth over time by investing in appreciating assets (primarily homes and stocks). As people accumulate wealth, they invest in themselves and their families via higher education, entrepreneurship, and homeownership. Those with significant amounts also boost their household's current, regular cash flow through assets that generate rental income or dividend payments—this virtuous cycle creates more resources to invest and benefit from compound interest.
- 3. Wealth enables intergenerational support.** Having wealth allows people to endow the next generation with resilience, mobility, and opportunity. People share their wealth with their families and others during their lifetimes by gifting money or assets such as vehicles or businesses, paying for others' higher education, or providing seed money for others' businesses. Those who have significant wealth can also pass it down through inheritances of money and other assets. These transfers provide recipients with a built-in safety net that they can draw on in times of need and build upon for future generations.
- 4. Wealth supports health and quality of life.** Having wealth provides breathing room and flexibility that are beneficial to people's well-being. Financial insecurity and debt are associated with mental health challenges such as anxiety and depression, and physical health conditions including weight fluctuations, higher blood pressure, and increased risk of stroke.<sup>5</sup> In that sense, wealth can serve as preventative care. Wealth can also bolster the health and well-being of people living with health conditions or disabilities that require regular treatment. Wealth contributes to quality of life by providing options and reducing the need to make unwanted tradeoffs. Non-labor income generated by assets such as real estate or financial investments can allow people to work fewer hours to make ends meet.
- 5. Wealth provides a sense of ownership, voice, and control.** Asset ownership affords people decision-making power. At the household level, that could be the power to choose where to live based on proximity to schools and jobs, instead of solely on the cost of monthly payments. Wealth can also affect people's social and political engagement, thus benefiting entire communities. Conversely, financial insecurity depresses political participation and civic engagement.<sup>6</sup>

Everyone deserves to have ample opportunities to build wealth, but many people face barriers preventing them from accumulating even modest amounts. Some barriers are common to all but the highest earning and highest net worth households, such as accumulating enough savings to make major investments in assets, like a down payment on a first home or startup funding for a new business. Other barriers

are unique to specific groups, some based on income and other economic factors, while others are linked to the systemic discrimination and exclusion of groups including people of color, women and nonbinary people, lesbian, gay, bisexual, transgender, and queer (LGBTQ) people, undocumented people, disabled people, and those living in areas of the country with fewer economic opportunities.

## Aspen FSP Publications Which Shaped This Report

Several recent Aspen FSP publications have strongly influenced the content of this report. They provide a nuanced, detailed look at what families need to have true financial security. They are:

[“Lifting the Weight: Consumer Debt Solutions Framework.”](#) November 2018. This report identifies a set of seven specific consumer debt problems. Concurrently, it establishes a set of systemic solutions that all stakeholders can enact to address the prevalence of consumer debt.

[“Short-Term Financial Stability: A Foundation for Security and Well-Being.”](#) April 2019. This report explains why short-term financial stability lays the foundation for long-term financial well-being and identifies four conditions that make it possible: routinely positive cash flow, liquid savings, access to high-quality credit, and strong social networks. The report also identifies both consumer strategies and external support that can enable short-term financial stability.

[“The State of Financial Security 2020: A Framework for Recovery and Resilience.”](#) November 2020. This report introduces a new framework to address financial security to address the stubborn persistence of household-level financial precarity despite economic expansion at the national level. It then describes four fundamental principles that people working in the financial security field can adopt to design effective solutions.

[“The Complete Financial Lives of Workers: A Holistic Exploration of Work and Public and Workplace Benefit Arrangements.”](#) March

2021. This paper discusses the features of work arrangements and benefits systems that are driving financial insecurity for low- and middle-income households. Drawing from this analysis, it offers principles for modernizing work and benefits systems to ensure all workers are financially secure.

[“Centering Racial Equity And Wealth Building In An Inclusive Retirement Savings System.”](#) June 2021. This report draws on insights shared at the fifth annual Aspen Leadership Retirement Forum on Retirement Savings, an annual series of private dialogues among eighteen diverse, cross-sector leaders. It identifies specific action opportunities to improve both our private and public retirement savings systems and tools to better serve historically excluded communities.

[“A Financial Security Threat in the Courtroom: How Federal and State Policymakers Can Make Debt Collection Litigation Safer and Fairer for Everyone.”](#) September 2021. This report calls attention to the rise of debt collection lawsuits and demystifies how these proceedings can harm the financial security of defendants. To correct this situation, the report lays out steps that federal and state governments can take to ensure debt litigation is legitimate and allow people with outstanding debt to get back on their feet.

[“The Future of Building Wealth: Brief Essays on the Best Ideas to Build Wealth – for Everyone.”](#) September 2021. A collaboration between Aspen FSP and the Federal Reserve Bank of St. Louis, this book is a collection of essays describing the most thought-provoking ideas to build wealth in the United States.

[“Foundations of a New Wealth Agenda: A Research Primer on Wealth Building for All.”](#) November 2021. This foundational report explains the importance of building household wealth and identifies the multiple barriers to financial security facing U.S. households. Building on this analysis, it highlights the priorities for solutions to enable wealth building for all households.

[“The Federal Government Should Cancel at Least \\$30,000 of Your Student Loans. Here’s Why.”](#) January 2022. This blog calls for the cancellation of at least \$30,000 in student loan debt that would help borrowers most in need, close the racial wealth gap and focus economic recovery on wealth building for all.

[“Disparities in Debt: Why Debt is a Driver in the Racial Wealth Gap.”](#) February 2022. This brief examines the scale of racial disparities in debt and details the ways that debt makes it harder for households of color to build wealth. It concludes with recommendations for closing racial debt gaps.

These publications’ findings have deeply influenced this report and are referenced frequently throughout. Altogether, these publications provide a comprehensive exploration of the barriers to wealth building, particularly those that affect low- and moderate-income households of all races, people of color, and other groups that have experienced systemic discrimination that impacts their financial well-being. They are available online at [www.aspenfsp.org](http://www.aspenfsp.org).

In this report, we identify solutions that are precisely targeted to eliminate or significantly reduce the identified barriers so that people can succeed at hanging onto what they are able to save, build their financial cushions, and may reliably, affordably, and securely build wealth. An important premise of this report is that people themselves—their habits, behaviors, cultures, or knowledge—are not the problem. Most people save but cannot accumulate enough savings to purchase assets.<sup>7</sup> Those who are not saving are frequently struggling to survive. There are some common human behavioral challenges to saving and accumulating wealth across all income and wealth segments, but, as much as possible, those challenges should be addressed through policy and product design and implementation. Everyone needs access to clear, accurate financial information and trusted advice, but those approaches alone cannot solve the large structural barriers to wealth building. Rather, leaders with the power to create change must understand and tackle structural barriers.

The next section explains why typical households have relatively little wealth. It provides an overview of household net worth data as of 2019, focusing on racial wealth gaps and the nearly 13 million households with negative net worth. Section 2 investigates what it takes for households to successfully build wealth, as well as the common barriers to success. Section 3 presents 101 solutions to build wealth from the bottom up, including a section on reparative approaches to racial wealth equity.

# Typical U.S. Households Have Relatively Little Wealth

This section provides a short overview of U.S. households' wealth, drawing primarily from Aspen FSP's analysis of the Federal Reserve's 2019 Survey of Consumer Finances (SCF) data. Appendix B of this report includes detailed breakdowns of households' assets and debts by quintile of net worth. It also includes data on the assets, debts, and net worth of households by racial and ethnic group, and data on the 10.4% of households with negative net worth (the value of their debts is greater than the value of their assets).<sup>8</sup>

**By early 2019, U.S. households had still not fully recovered from the wealth losses they experienced in the great recession**

In the Great Recession, households in the bottom half of the wealth distribution lost more than 40% of their wealth.<sup>9</sup> Median household wealth in 2007 was \$149,360, and by 2019 was just \$121,760.<sup>10</sup> Millions of families owned significantly less in 2019 than they had 12 years earlier, even after the longest economic expansion in U.S. history. The top fifth of households by net worth were the exception: they were 8.5% wealthier in 2019 than they were in 2007.

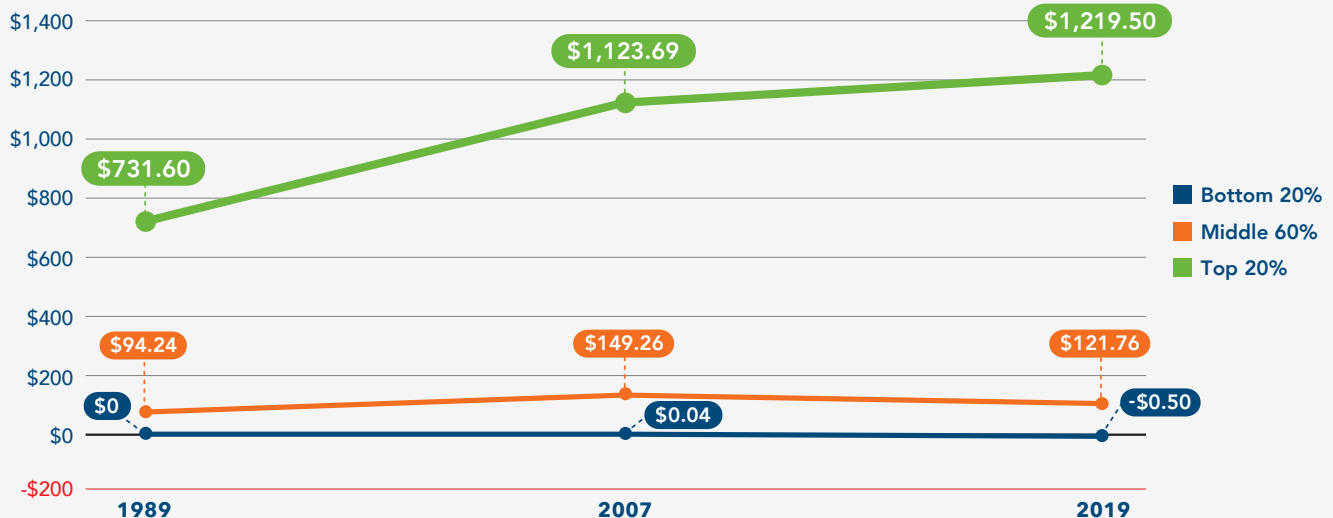
In 2019, households in the bottom quintile had a median net worth of -\$500 (negative \$500), while those in the top quintile had a median net worth of \$1,219,500.

**Most households own four or fewer types of assets: transaction accounts, vehicles, retirement accounts, and homes**

SCF data reveals that there is a progression to asset purchases as households build net worth. People first acquire transaction accounts (checking and savings accounts), hold a small amount of liquid savings, and purchase low-value vehicles. They then purchase homes and save for retirement—more than 80% of households in the middle quintile of net worth are homeowners and more than 50% own retirement accounts. The amounts accumulated in each of these assets also show a clear progression for transaction accounts, vehicle values, and homes. The value of retirement accounts develops more slowly. Only among the top 20% of households by net worth are truly diverse asset portfolios the norm.<sup>11</sup>

## Median Household Wealth by Percentile of Net Worth (1989-2019)

The wealth of the top 20% has skyrocketed above everyone else's.



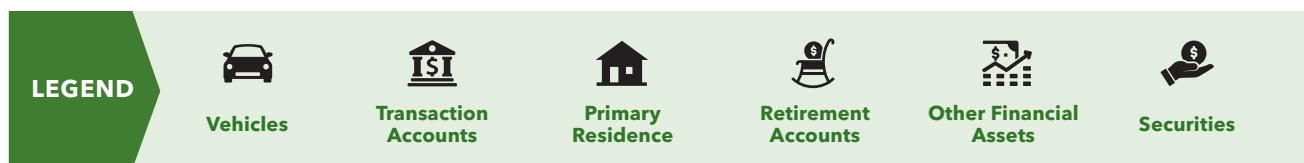
Data is displayed in thousands of 2019 U.S. dollars.

Source: Aspen FSP analysis of Federal Reserve Board, 2019 Survey of Consumer Finances.





See [Table 1](#) in Appendix B.

# What Kind of Assets Do Households Hold at Different Levels of Wealth?








## The Variety of Assets Held Increases with Wealth









The only assets held by the majority of households in the bottom 40% of the wealth distribution are vehicles and cash held in bank accounts.

Wealth Quintile	Assets Held and Median Asset Value	
First	 \$4,200	 \$750
Second	 \$10,500	 \$2,000

Home equity becomes the prime asset for typical households in the middle of the wealth distribution—80% have it. Yet just 49% of these families have any retirement savings at all.

Wealth Quintile	Assets Held and Median Asset Value			
Third	 \$15,000	 \$5,000	 \$135,000	
Fourth	 \$20,000	 \$13,000	 \$230,000	 \$31,000

Only the wealthiest 20% of households have truly diverse asset portfolios.

Wealth Quintile	Assets Held and Median Asset Value					
Fifth	 \$29,900	 \$50,080	 \$425,000	 \$300,000	 \$8,000	 \$10,000

**Note on Methodology:** This figure displays the types of assets owned by the median, or typical, household within each quintile. These values represent the median for the whole population within each quintile. These values do not reflect medians among only households that own the asset.

**Source:** Aspen FSP analysis of Federal Reserve Board, 2019 Survey of Consumer Finances.

See [Tables 2](#) and [3](#) in Appendix B for asset ownership rates and median asset values conditional on ownership.

## Small business equity is a significant source of wealth for a small number of households

There are nearly 32 million small businesses operating in the United States,<sup>12</sup> yet just 13.4% of households report holding any business equity (defined as the net value of business holdings based on the amount the business could be sold for) in the Survey of Consumer Finances. Most business assets captured by the survey are associated with small firms, as they are all privately held.

Among the 13.4% of households that report having business equity, the median value is \$89,000. Business equity is heavily concentrated among the wealthiest. Fewer than 10% of households in each of the bottom three quintiles have any business equity. That rises to 56% for the wealthiest quintile. Small business owners in the wealthiest 20% of households have 83 times the amount of business equity (\$500,000) as small business owners in the bottom quintile (\$6,000). This likely reflects the fact that the largest privately held companies have billions of dollars in annual revenue.<sup>13</sup>

### Business Equity is Heavily Concentrated in the Top 20% of Households by Wealth

	PERCENTILE OF NET WORTH				
	Less than 20th	20th to 39.9th	40th to 59.9th	60th to 79.9th	80th to 100
<b>Share of Households Holding Business Equity</b>	1.4%	3.1%	8.3%	15.5%	31.3%
<b>Median Value of Business Equity, if Held</b>	\$6,000	\$12,126	\$28,630	\$60,000	\$500,000

Source: Aspen FSP Analysis of Federal Reserve Board, 2019 Survey of Consumer Finances.

See [Table 6](#) in Appendix B.

## Data Sources in This Report

Most of the data in this report is drawn from the Survey of Consumer Finances (SCF), which provides the most complete picture of household wealth of any long-running public survey. However, the SCF only breaks out data by race and ethnicity for white, Black/African American, Hispanic/Latino, and “Other and multiple race” households. “Other and multiple races” includes American Indian and Alaska Natives, Asian people and Pacific Islanders (including Native Hawaiians), and multiracial people. Consequently, there is little comprehensive data on the debt and wealth profiles of members of these groups. This is a serious limitation to researchers’ ability to understand the financial security of a significant, and growing, portion of the U.S. population. It also limits policymakers’ ability to implement effective, inclusive solutions.

Important indicators for young adults—such as student loan debt—are also underreported because the survey omits young adults who are living in the same household as the survey respondent but are considered financially independent. The SCF also does not provide detailed information about some of the debts that are most common among lower-wealth households—including non-loan debts like medical debt and public fines and fees, high-cost alternatives like vehicle title loans, and debts in collection. The report therefore also draws on supplemental sources of data, including our own recent, nationally representative survey on retirement security,<sup>14</sup> that help illuminate issues that the SCF does not.



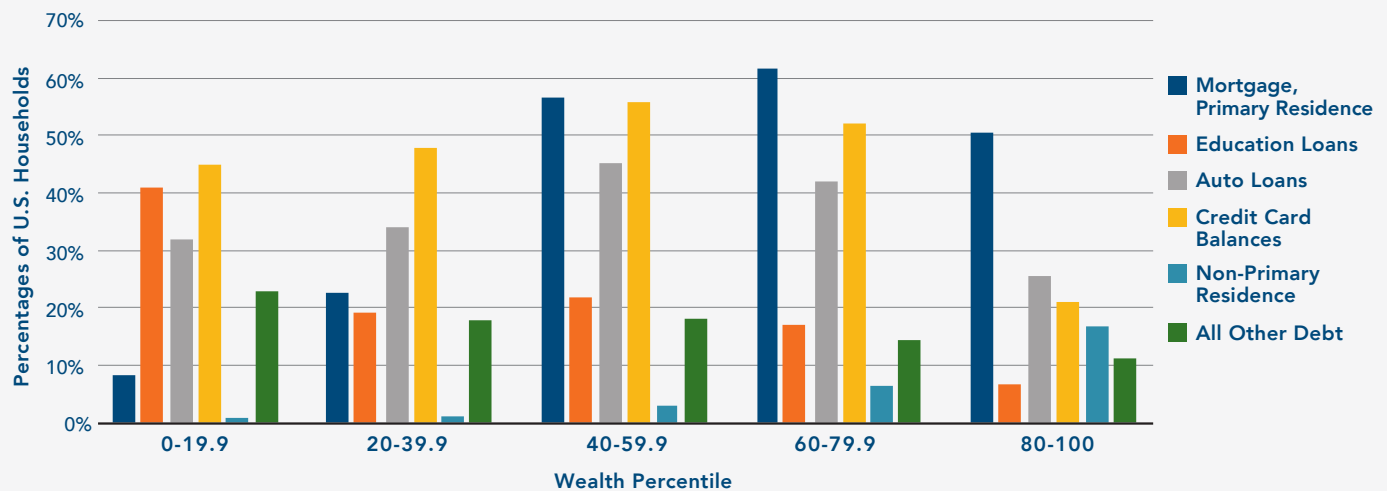
## Median-wealth households hold significant debts

Simply owning assets does not translate into wealth if household members also have significant debts. One measure of debt burden is the leverage ratio, or total debts divided by total assets. Having a lower leverage ratio

enables people to reap more benefits from the appreciation of their assets over time.

Credit card balances and vehicles are the two most commonly held debts. For all but the lowest net worth households, the third most common debt is a mortgage. Those in the bottom of the wealth distribution, however, are more likely to have student loans than mortgages.

**Household Debt Holdings, by Percentile of Net Worth**  
Student loan debt is most prevalent for the lowest-wealth households



Source: Aspen FSP analysis of Federal Reserve Board, 2019 Survey of Consumer Finances.

See [Table 4](#) in Appendix B for underlying data.

## Median Value of Household Debts, Conditional on Ownership, by Percentile of Net Worth

DEBT TYPE	PERCENTILES OF NET WORTH				
	Less than 20th	20th to 39.9th	40th to 59.9th	60th to 79.9th	80th to 100
Mortgage, Primary Residence	\$150,000	\$114,000	\$110,000	\$127,000	\$213,000
Non-Primary Residence	\$25,000	\$42,000	\$40,526	\$97,363	\$177,317
Credit Card Balances	\$2,000	\$1,900	\$2,700	\$3,500	\$4,500
Vehicle Loans	\$11,000	\$11,000	\$13,000	\$15,000	\$17,000
Education Loans	\$34,000	\$15,000	\$18,000	\$16,000	\$21,000
All Other Debt	\$3,279	\$2,180	\$5,000	\$7,500	\$12,000

Source: Aspen FSP analysis of Federal Reserve Board, 2019 Survey of Consumer Finances.

See [Table 5](#) in Appendix B.

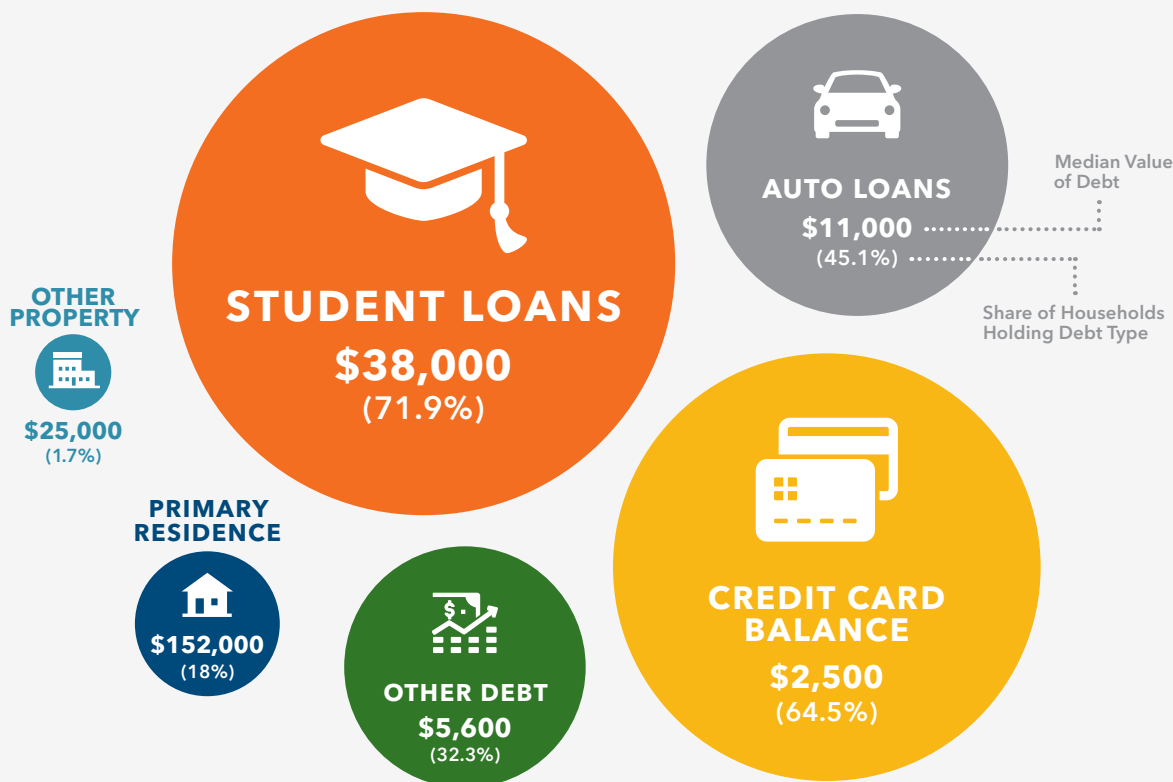
## Nearly 13 million households have negative net worth, driven by student loan debt

As of 2019, 10.4% of U.S. households (12.8 million) had more debt than assets, leaving them with negative net worth.<sup>15</sup> Between the 2007 and 2019 waves of the SCF, the share of households with negative net worth grew from 7.8% to 10.4%. Over the same time period, median wealth in the bottom 20% of households by net worth shifted from positive to negative.

Households with negative net worth are diverse in age, income, race, gender, and household structure, but student loan debt is a unifying factor. People who are more likely to experience discrimination and systemic economic exclusion are also disproportionately likely to have negative net worth, including people of color and women.

- **Seventy-two percent of households with negative net worth have student loan debt**, with a median balance of \$38,000.<sup>16</sup> Among all households, just 21.4% hold student loan debt, with a median balance of \$22,000.
- **Those with negative net worth are younger** (median age of 34) than the median U.S. resident (age 52). But one-third of all households in net debt are between 35-54.
- **Those with negative net worth have below median income**, \$39,707 compared with \$59,050. Yet one in four median income households are in net debt, with a median net worth of -\$20,000.
- **A majority (55%) of households with negative net worth are white**, but Black households are significantly overrepresented (28.4%).
- **Net debtors are more likely to be single parents.** Compared with all households, higher shares of net debtors were single parents (19.6% vs. 10.9%). More than 9 out of 10 of these single parents are women.

### Which Debt Drives Negative Net Worth?



The dollar value represents the median value. The percentages are the share of households that have that type of debt.

Source: Aspen FSP analysis of Federal Reserve Board, 2019 Survey of Consumer Finances.

See [Table 9](#) in Appendix B.

## Racial wealth gaps are a defining feature of household wealth distribution in the United States

There are large, well-documented gaps between the net worth of white households, Black households, and non-white Hispanic/Latino households. There are also less-deeply researched wealth gaps between white and American Indian/Alaska Native households and Asian households. In 2019, white households had a median net worth of \$189,100. Black households' median net worth at that time was \$24,100. Non-white Hispanic/Latino households' median net worth was then \$36,050. The other and multiracial category had a median net worth of \$74,500. (See Tables 10-12 in Appendix B for details.)<sup>a</sup>

## White households are more likely than Black or Latino households to own any specific type of asset

There are large differences in ownership rates of appreciating assets. White households are significantly more likely to own a home (74%) than all other racial and ethnic groups. They are also the most likely to have small business equity. The only assets that the majority of Black households own are transaction accounts (97%) and vehicles (72%). Compared with other groups, Black households are least likely to own homes (45%), other property (10%), and business assets (5%). Hispanic/Latino households are the least likely to own securities held outside retirement accounts (8%) and retirement accounts (26%). Over time, these patterns mean that it is easier for white households to accumulate wealth, as they benefit the most from asset appreciation and capital income. People of color in all racial and ethnic groups see less growth in the value of their assets over time.

## People of color hold more debt that does not help them build wealth

The relative rates of holding credit card debt versus mortgages is illuminating. The rate of white households carrying a credit card balance is roughly equal to the share holding a mortgage (both around 45%). For people of all other races, the percentage of households with outstanding credit card debt is 15 to 20 percentage points greater than the share with mortgage debt.

Student loans are also a leading source of racial disparities in net worth. Black households are particularly affected by student loan debt; 30% have outstanding loans, compared with 20% of white households. The median value of student loan debt held by Black borrowers is about \$7,000 greater than that of white borrowers.

## Leverage ratios indicate that Black and Latino households are most burdened by their debts

Households' leverage ratio (debts divided by assets) illustrates a dynamic that deeply impacts net worth. Simply owning assets does not translate into wealth if household members also have significant debts. Having a lower leverage ratio enables people to reap more benefits from the appreciation of their assets over time. The typical white household has a leverage ratio of 17.3%, lower than typical Black (22%), Hispanic/Latino (23.3%), and other (21.6%) households.<sup>17</sup> This indicates that white households are able to benefit significantly more from asset appreciation compared with other households, who spend more money repaying debts.

<sup>a</sup> Throughout this paper, we use several terms interchangeably, generally to ensure that our analysis conveys survey data and others' research findings accurately. For example, we conform to the terms used in the federal Survey of Consumer Finances (SCF), when we draw on that data. In SCF, "white" refers to people who select only that label for their race; "Black" refers to people who select only that label for their race; "Hispanic/Latino" refers to people who select only that label (this also appears in SCF as "non-white Hispanic/Latino"). People of all other races and ethnicities, including Asians and Pacific Islanders, Native people, Afro-Latino people, as well as multiracial people, are grouped into the "Other, including multiracial" category. Similarly, in federal data, people indigenous to the North American continent are referred to as American Indian/Alaska Natives (AI/AN), though Native Hawaiians are counted as Pacific Islanders. In other research, Native and Indigenous are frequently used terms, and throughout this report we use them interchangeably with AI/AN. In other cases, terms used to describe Latino people in the United States include Latino, non-white Hispanic/Latino, and Latinx.

## Understanding the Wealth of Asian and Pacific Islanders and Native American and Alaska Native Households in the Absence of Federal Data

Due to the lack of robust Survey of Consumer Finances data on the assets and debts of racial groups other than white, Black, and Latino, researchers have used other surveys and independently collected data to improve understanding of the financial security of Asian and Pacific Islander households as well as Native American households. (Native Hawaiians are grouped with Pacific Islanders). Data remains limited, but several themes emerge.

**Asian and Pacific Islanders:** The Asian and Pacific Islander (API) population of the United States has both grown and diversified over recent decades. That diversity makes it difficult to draw blanket conclusions, as API people of different ethnic backgrounds and countries of origin have widely varying levels of income, employment, poverty, and wealth.

- In 2019, using Survey of Income and Program Participation data, Census Bureau researchers estimated API household wealth to be \$156,300, roughly equal to that of white households.<sup>18</sup> The relatively high median net worth of API households masks disparate economic outcomes across different national and ethnic backgrounds. A case study in Los Angeles found that the median net worth of Japanese, Indian, and Chinese households was over \$400,000, while the median net worth of Korean, Vietnamese, and Filipino households ranged from \$23,400 to \$243,000.<sup>19</sup>
- Asian households tend to carry more debt than white households.<sup>20</sup> Again, however, there are significant differences within the group; one case study found that Filipino households tend to carry more debt and debts of different types than other API households.<sup>21</sup>
- Nearly half of all Asian households have housing-related debt, similar to that of white households. They are less likely to have credit card debt (38% of households) compared with the national population as a whole (48%).<sup>22</sup>

### **American Indian and Alaska Natives (AI/AN):**

As previously mentioned, there is very little research on the assets and debts of Native households. The most recent estimate of their household wealth that the authors are aware of is that in the year 2000, AI/AN households owned just \$0.09 for every dollar of wealth held by a white household.<sup>23</sup> Looking at other measures of financial security, income, and poverty, trends show that while some key measures for AI/AN workers and households are improving, large disparities persist.

- Census data shows that although median income for AI/AN households grew from \$35,062 to \$45,476 between 2010 and 2019, they still earn about \$20,000 below national median income. In fact, the gap between AI/AN median income and the national median increased by \$5,000 during this period.<sup>24</sup>
- Subprime credit is most prevalent in communities where Native Americans are the majority.<sup>25</sup> Native Americans also pay more for mortgage loans, and loan amounts are 40% smaller within reservations than in their surrounding areas.<sup>26</sup>
- More than half of adults in Native communities have debt in collections—more than the rates in white communities or in other communities of color.<sup>27</sup>

Both Asian<sup>28</sup> and Native<sup>29</sup> populations are growing quickly as proportions of the total U.S. population. These racial and ethnic groups may be comparatively small parts of the total U.S. population, but it is increasingly problematic that federal agencies do not conduct greater analysis of their net wealth.

# Conditions for Building Household Wealth and Common Barriers to Success

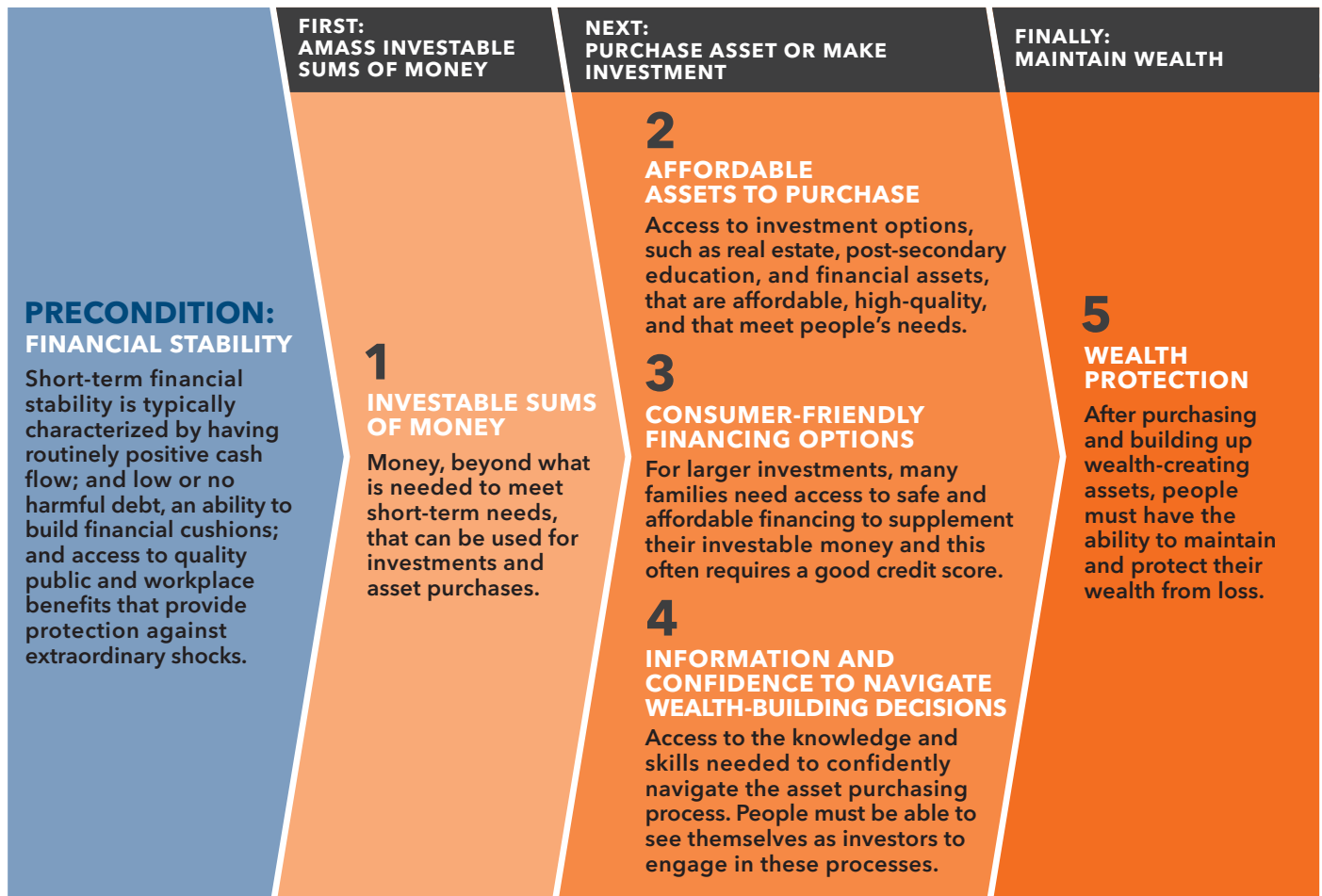
Here we present a framework to describe the enabling conditions that help people in the United States build wealth, as well as a summary of common barriers to success. Though each individual's situation is unique, there are certain preconditions and underlying circumstances that make it easier to engage in wealth building and allow people to maintain and protect their accumulated wealth. There are also common barriers to success.

## Five conditions enable financially stable households to build wealth

To build wealth, households first need to be financially stable so they can cover their short-term needs and still set aside savings. After this precondition is met, households can grow their wealth through five enabling conditions: investable sums of money, affordable assets to purchase, consumer-friendly financing, information and confidence to navigate wealth-building decisions, and wealth protection.

### Five Conditions - and One Precondition - Support Successful Wealth Building

People need each of the conditions below to be available to them—and at the right time—to build wealth.



## PRECONDITION: FINANCIAL STABILITY

**Financial stability is a precondition:** Before households can start building wealth, they need a foundation of financial stability. This means they have enough savings to achieve financial well-being in the short term. They can cover daily living expenses and emergencies without incurring debt and still have enough left over to save for the future. The key elements of financial stability include routinely positive cash flow and low or no harmful debt, the ability to build financial cushions, and access to quality public and workplace benefits that protect against shocks. Securing this basic control over one's finances is the first step to move beyond subsisting and start growing wealth in the long run.

## FIRST: AMASS INVESTABLE SUMS OF MONEY

People and families who have a baseline of financial stability are able to build wealth when the following five conditions are in place:

**1. Investable sums of money.** Households can only accumulate wealth if they have the funds available to invest in it. These funds can be acquired through wages, non-labor transfers, and easily accessible liquid savings. Once households have more than enough income and savings to cover their typical expenses, then they can invest in key assets that secure their long-term financial well-being and provide the resources to live as they wish. These assets include—but are not limited to—homeownership, vehicles, higher education, securities, and retirement savings.

## NEXT: PURCHASE ASSET OR MAKE INVESTMENT

People then need three conditions in place simultaneously to make an asset purchase: access to affordable assets, access to consumer-friendly financing, and the information and confidence to navigate wealth-building decisions.

**2. Access to affordable assets to purchase.** For households to grow their wealth, assets of various kinds need to be affordable and accessible. Sometimes assets are difficult to

access due to scarcity, such as a lack of homes for sale, while other assets, such as stocks, may be easily available to some people but not others. When assets are difficult to purchase or invest in, the keys to wealth such as a home or a retirement account will be out of reach even for people who have amassed investable sums. Assets may also not be available to people depending on their location, workplace benefits (or lack thereof), age, race, gender, education, disability status, or citizenship status. It is imperative that markets and policies are designed to ensure that everyone has the capacity and opportunities to purchase assets.

- 3. Access to consumer-friendly financing.** Many assets—such as a vehicle or a home—are typically too expensive for most households to purchase outright. For these assets, households will need to finance their purchase. It is important that asset financing is safe and affordable so that households do not incur unsustainable levels of debt. Being able to secure high-quality financing also depends on having a good credit score.
- 4. Information and confidence to navigate wealth-building decisions.** Households may forgo asset purchases if people are daunted by the complexity of financial information or a lack of comfort and familiarity with the institutions and processes involved. To overcome this, people need access to knowledge, skills, and trusted advice, as well as familiarity with relevant institutions to make it easier to navigate financial decisions and investment processes. It is also important that individuals develop an investor identity so that they enter new financial arrangements with confidence, rather than believing that investments are only for “wealthy” people with financial know-how.

## FINALLY: MAINTAIN WEALTH

Finally, people who have purchased assets, invested, and built wealth must be able to protect and preserve their wealth over time.

**5. Wealth protection.** Households must be protected against wealth-stripping policies and risks. Policies that chip away at wealth have reduced the prospects of many families, especially those of color. Wealth is also



vulnerable to a variety of risks such as market fluctuations and, increasingly, climate change. Solutions such as consumer protections and insurance against risk can protect households' hard-earned wealth.

## Common barriers to building wealth are rooted in systems and institutions

At least half of all households have little wealth because financial, political, and employment systems were not designed to produce wealth for everyone.

## Wealth inequality today has roots in five centuries of racial discrimination and economic exclusion

Contemporary wealth inequality has deep historical roots, dating back to the earliest days of colonization. Beginning in the 16th century, Spain and other European powers stole land and resources from Native people and killed millions. A century later, the British Crown built its colonial economy on the labor of enslaved Africans. After the American revolution, only white men who owned land could vote in the new nation's elections.

Wealth inequality peaked before the Civil War (1861-1865) and the emancipation of enslaved Black people. Wealth inequality in the South shrunk when enslaved people became free and Reconstruction-era programs supported Black people starting farms and businesses. But white leaders forcibly ended those policies and seized Black peoples' assets beginning in the 1870s, ushering in Jim Crow laws to segregate, exclude, and exploit Black people. Then came the first Gilded Age, several decades in which industrialization and economic growth concentrated wealth in the hands of a few industrial and financial "barons." By 1920, economic inequality was higher than it had been since before Emancipation.

Popular understanding of the period between the 1930s and 1970s is that of an era of shared prosperity and reduced inequality. In response to social and political turmoil caused by the Great Depression, the New Deal era transformed the nation's financial, political, and employment systems, among others. While that understanding of history is relatively accurate for white Americans,

it erases the systematic exclusion of Black, Indigenous, and other people of color from employment, education, and wealth-building opportunities. They, and other communities of color, did not begin to have access to those opportunities until the late 1960s.

The pendulum began a long-term shift toward greater inequality beginning in the 1970s, as political conservatives took power, and some gains of the Civil Rights Movement were lost. A wave of deregulation, privatization, financialization, corporate consolidation, and political realignment resulted in a massive shifting of risk from institutions to individuals and families. Middle-class households began losing wealth amidst major changes in systems and institutions. Household incomes stagnated<sup>30</sup> but the costs of many basic needs—housing, education, and healthcare—continued to rise.<sup>31</sup> The disappearance of defined benefit pension plans reduced retirement security for all but the top quintile of earners.<sup>32</sup> In the 1990s, federal and state governments began to reduce the strength of social safety nets, including Unemployment Insurance<sup>33</sup>, cash assistance (welfare programs)<sup>34</sup>, and Medicaid.<sup>35</sup> The invention of subprime mortgage loans increased access to homeownership but at a substantial cost to buyers' capacity to build wealth. That increased their vulnerability during the foreclosure crisis of 2008 to 2012, which virtually eliminated the wealth of homeowners with subprime loans,<sup>36</sup> particularly Black borrowers.<sup>37</sup>

## Barriers to wealth building in the 21st century

In 2020, wealth inequality in the United States hit a 100-year high.<sup>38</sup> As of mid-2021, the bottom 50 percent of households by net worth owned just 2% of total household wealth, while the top 1 percent owned 32% of all household wealth in the U.S.<sup>39</sup> Many of the trends that began in the 1970s have persisted or intensified. For example, wage stagnation has affected both lower-income and middle-class households, making it difficult for millions of households to accumulate investable sums.<sup>40</sup> Moreover, most households' primary asset is their home. While home values have appreciated significantly since the Great Recession, the financial assets primarily held by the highest-wealth households have appreciated faster. Capital gains have been larger than the rate of economic growth for decades.<sup>41</sup>

## Barriers to wealth building for younger generations

Three new trends have emerged since the turn of the 21st century that make it more difficult for younger generations to build wealth: 1) the rising cost of rent, 2) historically low rates of home construction, and 3) the massive growth of student loans. The cost of rent has increased more each year than renters' income for the past two decades,<sup>42</sup> making it difficult for young renters to save enough for down payments on homes. Compounding that problem, fewer homes have been built annually in the years since the Great Recession than was historically the case, leading to a shortage of 3.8 million homes.<sup>43</sup> Relatively affordable "starter homes" have disappeared from housing markets across the country.<sup>44</sup> The typical age of first-time homebuyers has increased from 31 years old in 2002<sup>45</sup> to 36 in 2021,<sup>46</sup> which means that younger adults are losing out on years of appreciation of their biggest, most common asset. Meanwhile, the costs of higher education have increased exponentially, and student loans have become the primary way that most people finance their education. As a result, college students today borrow tens of thousands more, on average, than students in previous generations. Student loan debt plays a pernicious role in dragging down households' net worth through delayed homeownership<sup>47</sup> and lower participation and accumulation in retirement savings accounts.<sup>48</sup>

Other barriers to wealth building that Aspen FSP's previous reports have documented in depth relate to specific financial experiences and products. Our publications have also explored the impacts on specific demographic groups who, often due to discrimination and systemic exclusion, are more likely to contend with these barriers. We encourage readers to consult our other reports for details and information about applicable research on these issues. The relevant findings from those reports are summarized below:

### Barriers related to financial experiences and products:

These barriers are rooted in job quality, the costs of basic needs, harmful debts, and the lack of financial products that fully meet the needs of financially insecure consumers.



## Wealth inequality in the United States has reached a 100-year high.



**Insufficient income** is a fundamental barrier to financial stability, let alone wealth building. Millions of families do not have enough income to maintain routinely positive cash flow while meeting their basic needs. Before the fallout of the COVID-19 pandemic, nearly half (46.5%) of households reported that their income did not exceed their spending over the course of a year.<sup>49</sup> More than 50 million workers ages 18-64 (44%) qualify as "low wage," with median hourly wages of \$10.22 and median annual earnings of about \$18,000.<sup>50</sup>

**Lack of access to workplace benefits** is a barrier that prevents people from maintaining financial stability; accessing critical resources, like health insurance, that affect workforce participation and income; and wealth-building benefits like retirement accounts.<sup>51</sup> It also contributes to medical debt.

**Lack of access to public benefits and safety net programs** not only creates many of the same challenges as lack of access to workplace benefits, but also puts families' ability to meet their basic needs at risk.

**The rapidly rising costs of healthcare, higher education, and housing** are barriers to amassing investable sums. It is difficult to save enough money to purchase assets when core expenses grow at rates higher than incomes.

**Lack of opportunities to build good credit** means that many people's credit history begins not with a first credit card or car loan, but through an overdue bill being sent to collections. Millions of people struggle to borrow affordably because credit reports do not provide opportunities to document payment histories that could help them build their scores, be approved for affordable credit, and finance asset purchases on the best possible terms.

**The growing use of consumer reports for purposes other than assessing applications for credit** creates barriers to financial stability and wealth protection. Consumer reports may be used to assess applications for rental housing, employment, and insurance. Individuals who lack

credit reports, those whose reports include too little information to score, and consumers with poor credit scores may find themselves locked out of many economic opportunities beyond applications for credit.

**Holding harmful debts**—including medical debt, fines and fees, debts in collection, high-cost alternative products such as payday and vehicle title loans, and private student loans—creates barriers to amassing investable sums of money by draining household cash flow without producing meaningful benefits or by creating predatory cycles of debt.

**High costs to access certain financial products** present barriers to actually purchasing assets. High fees, high minimum balance requirements, and starting investment amounts discourage many low- and moderate-income (LMI) households from opening financial accounts.

**Lack of access to small-dollar mortgages** (loans under \$100,000) presents a barrier to home buying not only for low-wealth households but also for potential buyers in housing markets that have relatively low home values.

**Lack of access to small business credit**—particularly low-cost installment loans under \$100,000—presents barriers for small business owners who want to grow their firms or purchase business assets but cannot do so without financing.

### ***Groups of people affected by discrimination and systemic exclusion:***

Discrimination and systemic exclusion are barriers to wealth building that affect certain groups of people in every dimension of their economic lives, including the workplace and labor markets, education, healthcare, credit reporting and scoring, rental markets, homeownership markets, mortgage lending, small business investment, and other areas. People who belong to more than one of these groups face compounding harms. Groups whose wealth-building capacity is constrained by discrimination and systemic exclusion include:

**Black, Indigenous, Latino, and other people of color** face barriers related to experiencing historical mistreatment, asset theft, economic and financial exploitation, and violence within white-led systems, institutions, and culture. They also face barriers related to current public policies,

social, and business practices—in short, existing within an environment of white supremacy and structural racism.

**Disabled and chronically ill people** face discrimination that results in lower rates of workforce participation and lower wages. They also face high ongoing health expenses and public policy-based disincentives to accumulate assets. These factors create barriers to wealth building at every phase of the process.

**Women** (both cisgender and transgender) face discrimination that results in lower rates of workforce participation and lower wages. They also tend to accumulate less wealth in financial assets due to selecting more conservative investment strategies.

**Lesbian, gay, bisexual, transgender, and queer people** are more likely to experience hardships such as poverty and homelessness, which create barriers to financial stability and amassing investable sums. Transgender people—including nonbinary people, trans women, trans men, and others who are not cisgender—face especially steep barriers to financial stability, housing, employment, and fair wages.

**Millennials** have consistently had lower wealth than previous generations. While it is typical for younger adults to have less wealth than their elders, millennials (people born between 1981-1996<sup>52</sup>) are no longer young. This generation's economic misfortunes<sup>53</sup> have made them the first generation in modern U.S. history to be less financially secure and less economically mobile than their parents.

**Residents of economically depressed regions** face barriers related to financial exclusion. They have less access to jobs that deliver sufficient income and offer a set of critical workplace benefits necessary to amass investable sums and enable asset purchases. They may have fewer opportunities to invest in homes and businesses, and those who own these assets may see less growth in value over time compared with residents of areas with stronger growth.

The solutions included in Section 3 are all aimed at reducing and eliminating these barriers and ensuring that everyone, especially people who have been harmed by discrimination and systemic discrimination, are able to succeed at every stage of the wealth-building process.

# 101 Ways to Grow the Wealth of Low Net Worth People and Families

While the challenges are numerous, we can solve for a more equitable future of shared prosperity. In this section, we describe in brief 101 solutions that have promise in building an inclusive ecosystem for household wealth building. The solutions have been organized by the five enabling conditions described in Section 2, and an additional subset of solutions that are designed to repair some of the financial harms associated with the deepest roots of racial inequality in the United States—the forced displacement and genocide of AI/AN people, enslavement of African Americans, and Jim Crow-era exclusion and violence.

To identify solutions, we drew from previous Aspen FSP research, a broad review of existing literature and proposed solutions, and conversations with dozens of experts in various aspects of household finances, balance sheets, and wealth-building systems. We evaluated proposals according to four criteria:

## Evaluation Criteria for Solutions

1

**Ability to grow wealth for households in the bottom half of the wealth distribution**

2

**Ability to scale**

3

**Relevance to addressing known barriers to wealth**

4

**The Evidence base indicating a solution's effectiveness, whenever possible**

We ultimately settled on 101 solutions. Covering a wide variety of issue areas, these solutions are both new and old, radical and modest, local and federal, and public and private. Taken together, these solutions can be understood as a comprehensive set of available opportunities that advocates and leaders in a wide range of communities, sectors, and organizations can consider in their own work to expand access to wealth-building conditions and on-ramps. The solutions also serve as a browsable resource in which readers can find the sector most applicable to them. Appendix A includes a list of all the solutions grouped by asset type, sector, and population focus.



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## Solutions that enable people to amass investable sums of money



Most of the solutions that can help households amass investable sums are not limited to specific assets; rather, they focus on removing barriers to growing savings. The following solutions are designed to ensure individuals and families are able to set aside net income to save and invest.

### Objectives to solve for:

We have identified three objectives, which, if met, would mitigate or eliminate the key barriers to amassing investable sums of money. These are:

- 1. Households have routinely positive cash flow.** A household has routinely positive cash flow when its income typically exceeds what it is spending on basic needs. This excess income can be used toward saving for asset purchases and investments. Solutions can achieve this objective by either boosting household income or reducing the cost of core expenses, like healthcare, housing, childcare and education.
- 2. Households have no or low harmful debt.** With low or no debt burdens, less income is needed to service debt payments. Improved

credit history increases access to loans and reduces costs, allowing families to save for emergencies, amass investable sums, and buy assets that will grow their wealth.

- 3. Systems that transfer investable sums from institutions to individuals or households are robust and inclusive.** In addition to solutions to help people amass investable sums over time by setting aside net income, a range of solutions exist to transfer investable sums—like down payment assistance, retirement savings matches, and baby bonds—directly to individuals or households. New systems that send regular dividends to all citizens based on shared asset ownership could also significantly increase the investable sums available to households.

There are numerous solutions that boost household cash flow by increasing workers' labor income, increasing households' non-labor income, and reducing the cost of living, as well as solutions that reduce or eliminate harmful debts. A final category of solutions ensure that the systems that deliver cash, other resources, and financial products and services are robust, inclusive, and well-functioning.





## Increase workers' labor income

These include well-established targeted strategies to boost workers' wages, as well as nascent, broader proposals to boost wages by increasing worker power throughout the economy. These solutions achieve one or more of the objectives above by increasing workers' labor income.

### SOLUTION 1

**Raise minimum wages.** Neither the federal minimum wage of \$7.25 per hour nor many higher state minimum wages translate into a living wage for families.<sup>54</sup> The situation is more extreme for workers earning sub-minimum wages,<sup>55</sup> including tipped workers and some disabled workers. States are demonstrating that raising minimum wages—including for tipped workers<sup>56</sup>—to at least \$15 per hour benefits workers with little (though not zero) impact on the number of jobs.<sup>57</sup> Raising all minimum wages (including the tipped minimum wage and legal sub-minimum wages) would increase household incomes for millions of families and support their capacity to build savings.

### SOLUTION 2

**Expand union power and sectoral bargaining.** Having bargaining power gives workers more say over their compensation and work arrangements, and therefore can play an important role in boosting working households' cash flow. The typical unionized employee earns about 23.5% more than the typical non-union worker.<sup>58</sup> Removing legal impediments to union activity could put workers in a stronger position to gain higher wages and benefits from employers.<sup>59</sup> Employers themselves can stop engaging in anti-unionization campaigns or pledge not to discourage workers from voting for a union.

### SOLUTION 3

**Reduce occupational licensing requirements.** Over recent decades, state and local policymakers have increased the number of professions that require occupational licenses. This administrative hurdle can be a barrier to employment because becoming and remaining certified is expensive. The practice results in lower wages for unlicensed workers and higher prices for consumers but does not significantly improve the quality and safety of

services provided.<sup>60</sup> Relaxing these requirements could help workers increase their income and reduce their costs.

### SOLUTION 4

**Reduce corporate concentration.** Corporate concentration—when the private sector is consolidated into fewer and fewer companies—limits household cash flow. Recent research found that greater corporate concentration in the U.S. economy is associated with a large decline in wages.<sup>61</sup> Corporate concentration toward a handful of large, powerful companies also crowds out small businesses, discouraging entrepreneurship as a source of wealth creation for low- and middle-income households. Stronger antitrust enforcement has the potential to reduce the income losses associated with corporate concentration.<sup>62</sup>

### SOLUTION 5

**Create a federal jobs guarantee.** A federal jobs guarantee would ensure everyone has access to paid employment and set a floor for wages and benefits that private employers would have to compete with.<sup>63</sup> A jobs guarantee would also insure households against income volatility when its working members experience unemployment.



## Increase households' non-labor income

According to a report from the Brookings Institution, 44% of working adults (53 million people) are low wage, meaning they do not earn enough to pay for basic needs, let alone to set money aside for wealth-building investments.<sup>64</sup> Increased non-labor income boosts household cash flows and increases the likelihood that households will be able to set net income aside to amass investable sums. These solutions are primarily public policy strategies that increase cash transfers to households and strengthen social safety nets.

### SOLUTION 6

**Implement a publicly funded guaranteed income.** Guaranteed income programs involve regular, unconditional transfers of funds from public institutions to individuals or households. Multiple research demonstrations and pilot



programs show that guaranteed income programs can reduce poverty and positively impact savings, health, and employment, though the magnitude of the effects vary by context.<sup>65</sup> Guaranteed income programs hold the most promise when they are designed with a person-centered framework: the needs and preferences of recipients should drive how payments are delivered.<sup>66</sup>

### SOLUTION 7

**Expand the Earned Income Tax Credit.** The federal Earned Income Tax Credit (EITC) is the largest anti-poverty program in the United States. In 2018, it lifted 5.6 million people out of poverty, including 3 million children.<sup>67</sup> This refundable tax credit transfers cash to lower-income working households. It increases recipients' employment, educational attainment, and health.<sup>68</sup> The tax credit could have a greater impact by increasing the value of the credit and by expanding eligibility and benefits for people who have been excluded, including childless workers, younger workers, older people with child dependents, unpaid caregivers, and low-income students.<sup>69 70 71</sup>

### SOLUTION 8

**Modernize and expand Unemployment Insurance.** Job loss is one of the top causes of income volatility and financial instability.<sup>72</sup> Unemployment Insurance (UI) partially mitigates this disruption to cash flow for some workers, but a shrinking share of workers are eligible, and benefits have become less generous. In 2020 and 2021, the COVID-19 pandemic turned long-standing challenges<sup>73</sup> with outdated state UI systems into financial crises for millions of workers. UI reforms that expand coverage, make coverage easily portable between jobs,<sup>74</sup> and replace a greater share of lost income would enable the program to better stabilize households experiencing job loss and ensure they continue to routinely receive income.<sup>75</sup>

### SOLUTION 9

**Implement a federal paid sick leave policy.** The United States is one of two members of the Organization for Economic Cooperation and Development (OECD, an association of highly industrialized countries) without a national paid

sick leave policy.<sup>76</sup> When workers without paid sick days have to stay home, they face short-term income shortfalls that can add up to dramatically lower savings over time.<sup>77</sup> A federal requirement for employers to provide a minimum number of sick days would help households maintain steady cash flow when a worker or child in the family is sick and requires care at home.

### SOLUTION 10

**Implement a federal paid family leave policy.** The United States is the only OECD member without a national family leave policy.<sup>78</sup> Other countries continue compensating workers while they take leave from their jobs to welcome a new child or temporarily provide care to family members. Implementing a federal paid family leave policy would help families maintain stable incomes and avoid some care-related expenses, supporting their ability to amass investable sums (rather than spending down savings to offset lower earnings).

### SOLUTION 11

**Improve and expand public benefits for disabled adults and children.** Without sufficient income, the costs associated with having a disability can be a strain on household cash flow. Households whose members include a disabled person require more income to achieve the same standard of living as similar households where no one has a disability. Current public benefits for people with disabilities—Social Security Disability Income (SSDI) and Supplemental Security Income (SSI)—do not account for these additional costs. Benefits are so meager that recipients live in poverty.<sup>79</sup> They are also subject to extreme asset limits (\$1,500 for single people and \$2,000 for married households) that discourage employment and savings and prevent benefits recipients from marrying people who have labor income or significant savings. Increasing benefits, improving application and recertification processes, improving work incentives, and eliminating asset limits would allow families that receive SSDI and SSI to move from subsisting to saving.<sup>80</sup>

**SOLUTION 12**

**Permanently reinstate the Expanded Child Tax Credit.** The current Child Tax Credit (CTC) is only partially refundable, which limits its reach to the LMI families most in need of support. To support families during the COVID-19 pandemic, the CTC was temporarily increased, made fully refundable, and distributed in part through monthly payments to families (half of the credit was reserved until tax time).<sup>81</sup> Within months, the expansion lifted millions of children out of poverty<sup>82</sup> and helped recipients pay for food, utilities, rent, servicing debt, and other needs.<sup>83</sup> The expanded CTC expired at the end of 2021. Reinstating the program and making it permanent would ensure that recipient families can continue using the benefit to ensure their financial stability and build wealth.<sup>84</sup>

**SOLUTION 13**

**Establish a child allowance.** A child allowance would, like the CTC, provide families with periodic cash transfers for every child in the household. It is distinct because it would not be administered through the tax code and half the funds would not be withheld from these payments. Research shows that the additional funds households would receive from a child allowance would have broad impacts. Depending on the amount transferred, child poverty could be eliminated under this policy, creating stable environments for children and increasing their long-term wealth.<sup>85 86</sup>

**Reduce costs of living**

The solutions included here focus on reducing the core expenses that typically put the largest drag on household cash flows, leaving little net income remaining to save and invest, particularly healthcare, childcare, student loan payments, and housing.

**SOLUTION 14**

**Expand both Medicare and Medicaid.** As of 2019, more than 8% (26 million people) of U.S. residents did not have health insurance.<sup>87</sup> Among low-income households, health insurance participation is relatively low because of less access to workplace-provided insurance and high

costs.<sup>88</sup> Expanding public health insurance—both Medicaid and Medicare—would increase health insurance coverage, make it easier to access care, and reduce households' medical expenses. For example, if the 11 states that have not expanded Medicaid under Affordable Care Act (ACA) rules did so, more than 2 million adults would gain access to premium-free health insurance.<sup>89</sup> If the Medicare eligibility age were lowered, the costs of care within employer plans could drop by 30%.<sup>90</sup> Medicare and Medicaid could also expand coverage by insuring more healthcare services, such as dental care, and medical devices, like hearing aids. With lower medical costs, families would have more disposable income to save and invest. Medical debt would also be less of a burden on LMI families.

**SOLUTION 15**

**Reduce the costs of care within private health insurance plans.** Many insured people also find it difficult to cover medical expenses.<sup>91</sup> Some private insurance plans provide coverage but limit access to care through high deductibles and cost-sharing requirements, which makes it harder to build savings.<sup>92</sup> This could be alleviated by strengthening coverage requirements in the ACA, permanently increasing premium subsidies for LMI households,<sup>93</sup> and expanding the list of ACA essential benefits.<sup>94</sup> Expenses could also be reduced by limiting the use of high-deductible health plans that only cover medical expenses after they reach a high threshold<sup>95</sup> and providing stronger regulation of private insurance plans outside of the ACA marketplace that create financial risks for users and drive up costs.<sup>96</sup>

**SOLUTION 16**

**Increase funding for long-term services and supports for disabled, chronically ill, and elderly people and create subsidies for unpaid caregivers.** People who need support to accomplish the activities of daily living frequently struggle to afford care or access the types of care they need. Long-term care services and supports (LTSS) includes home-based care, care in congregate settings such as independent living centers or nursing homes, and in other institutional settings.<sup>97</sup> LTSS is expensive and services are generally not covered by insurance plans, making it extremely difficult to afford

adequate care. Although services are expensive, professional care workers, who number more than 5 million, are not highly compensated.<sup>98</sup> Even more people provide unpaid care, often leaving the workforce to do so.<sup>99</sup> People in need of support, professional care workers, and unpaid care providers would all benefit from increased federal and state investments in long-term services and supports, as well as new subsidies for unpaid caregivers (such as tax credits).<sup>100</sup> Caregiving responsibilities are often non-negotiable for people with children or adult friends and family members who need support. Since caregivers usually leave the workforce or reduce working hours to provide care, they experience reduced cash flow from lower earnings and the cost of care.<sup>101</sup> Universal subsidies to help with the cost of dependent care would allow families to care for their loved ones while protecting their finances and building wealth.<sup>102</sup> These subsidies would be especially beneficial for women caregivers, who are more likely to leave the workforce to provide care.<sup>103</sup>

### SOLUTION 17

**Reform and expand ABLÉ accounts for disabled people.** People with disabilities and chronic illnesses spend a large portion of their income on health costs, diverting funds away from short- and long-term savings. Tax-advantaged Achieving a Better Life Experience (ABLE) accounts exist to relieve this burden by allowing people to save for disability-related expenses. However, very few people with disabilities actually have an account because of low awareness and narrow eligibility. Making these accounts stronger through matched savings and coordinated outreach could increase ABLE account take up and build the savings of people with disabilities.<sup>104 105</sup>

### SOLUTION 18

**Increase public investment in childcare infrastructure.** Access to professional childcare services allows parents—especially mothers and single parents of all genders—to raise children while maintaining employment and experiencing the consistent cash flow with which they may accumulate investable sums. However, quality childcare is often unaffordable for LMI working mothers. Making permanent the increased funding for childcare in the CARES Act,

expanding public and private funding, increasing subsidies for licensed childcare providers,<sup>106</sup> and investing in a professionalized care workforce would make childcare more accessible and affordable for working families.<sup>107 108</sup>

### SOLUTION 19

**Implement universal public preschool.** Preschool gives a long-term foundation for 3- and 4-year-olds to succeed in their academic careers and allows parents to work and boost income while their children receive quality care. Studies of public preschool programs show impacts such as increased high school graduation, higher college attendance, and behavioral improvements for students<sup>109 110</sup> as well as increased workforce participation and higher income among mothers of young children.<sup>111</sup> But the cost of private preschool can overwhelm household budgets, resulting in nearly half of 3-year-olds and a third of 4-year-olds not being enrolled in preschool in 2019.<sup>112</sup> Free, universal preschool enrollment would reduce both the costs of attendance and childcare costs, allowing children to receive the benefits of early education without inhibiting their families' ability to maintain positive cash flow and build wealth.

### SOLUTION 20

**Reform federal student loan Income-Driven Repayment plans.** Income-driven repayment (IDR) plans were intended to ensure that borrowers have affordable monthly payments based on their income. Participants enjoy lower monthly payments but extend the repayment term to 20 or 25 years, at which time remaining balances are forgiven. Most IDR programs require borrowers to pay income taxes on the amounts forgiven. IDR programs are numerous, confusing, administratively burdensome, and structured to increase people's balances even as they make on-time payments.<sup>113</sup> Many borrowers in default simply failed to correctly file an annual form.<sup>114</sup> Reforms to IDR plans must address both monthly payments and long-term costs. IDR reforms can bolster borrowers' ability to amass investable sums of money if they streamline the plans into a small number of options, make enrollment into IDR the default, automatically process annual renewals based on borrowers' tax filings, expand eligibility, and reduce the portion of income remitted.

**SOLUTION 21**

**Give federal Housing Choice Vouchers to all eligible households and end source of income discrimination.** Housing Choice Vouchers (HCVs) are subsidies provided by the U.S. Department of Housing and Urban Development that enable low-income households (those with income below 30% of the area median income) to live in privately owned, market-rate housing of their choice. Currently, spending on the program is capped, so only 1 in 4 eligible households receive help.<sup>115</sup> By making HCV an entitlement, the federal government would ensure that the most vulnerable families are able to maintain stability. It also is important to simultaneously address source of income discrimination—when a landlord or property manager refuses to rent to people who will pay their rent in part with HCVs.<sup>116</sup>

**SOLUTION 22**

**Increase subsidies for affordable housing development, maintenance, and preservation.** The amount of federal, state, and local funding to build, maintain, and preserve affordable housing has fallen over several decades. This has contributed significantly to the disappearance of lower-cost rental units, both subsidized and private market, across the nation. If the public sector significantly increased direct spending, tax credits, and other financing support for affordable housing, more low-income families would receive the help with housing they qualify for, and rents would stabilize or even fall in the least expensive segment of the private rental market.<sup>117</sup> More LMI renters would have the opportunity to save, and more renters would be able to buy homes.

**SOLUTION 23**

**Eliminate barriers to increasing the supply of private market rental units affordable to people of all income levels.** LMI renters have long struggled to afford private-market housing, lower-cost rental units have been disappearing from markets nationwide, and from 2005 to 2019, growth of median rents exceeded growth in median renters' income. Today, nearly half of renters are housing cost burdened (meaning they spend more than 30% of their income on rent, utilities, and other housing costs), and

the problem is creeping higher up the income ladder.<sup>118</sup> Increasing the supply of rental housing—including multifamily housing and single-family homes—is one critical step toward ensuring that every individual and family has safe, secure housing they can afford.

**Reduce or eliminate harmful debts**

These solutions help people amass investable sums by reducing the cost of servicing debt and enabling people to be free of predatory debt or inescapable cycles of debt that drag down their net worth. These solutions fall into three categories: those that reduce peoples' reliance on high-cost credit, those that provide additional resources to pay down high-cost debt, and those that eliminate harmful debts people have incurred.

**SOLUTION 24**

**Increase regulation of expensive, high-risk loans including payday products and vehicle title loans.** Households with low credit scores and scarce access to mainstream finance are at risk of borrowing money from alternative financial services that promise fast cash while charging high interest rates. While providing short-term liquidity, these services can trap low-income families in a cycle of debt as they try to pay back their loans. Some services, such as longer-term personal loans, have few government protections. There are also services, such as auto title loans, that are not subject to regulation and supervision by the Consumer Financial Protection Bureau (CFPB). Expanded government regulation of alternative financial services could reduce people's exposure to debt traps that sap their ability to save.<sup>119</sup>

**SOLUTION 25**

**Reduce the burden of government fines and fees.** Fines and fees incurred through municipal violations and criminal justice procedures such as bail, traffic and parking tickets, and court fees can leave low-income households with burdensome debt.<sup>120 121</sup> The burden of fines and fees has a greater negative impact on people of color.<sup>122</sup> More cities are adopting policies reduce the burden of fines and fees including: waiving late fees, setting the



size of fines based on the individual's income, adopting interest-free payment plans, eliminating driver's license suspensions for failing to pay fees or appear in court, reducing the value of or eliminating fines and fees, and forgiving debt.<sup>123</sup>

<sup>124</sup> While many cities use these fines and fees as a way to raise funds, in San Francisco's experience, reforming fines and fees has had little to no effect on its revenue.<sup>125</sup>

#### SOLUTION 26

##### **Expand access to and improve application processes for hospital charity care programs.**

Charity care reduces medical debt by reducing or eliminating bills for LMI hospital patients. While the Affordable Care Act requires hospitals to connect patients to charity care before sending overdue bills to collections, this is poorly enforced in practice. Medical providers should voluntarily adopt procedures to ensure that patients are informed of and connected to charity care before any debt is sent to collections, but policy action is likely necessary.<sup>126</sup>

#### SOLUTION 27

**Forgive medical debt.** Charity care programs are only required for hospital-based care, so much of the \$140 billion of outstanding medical debt requires additional solutions.<sup>127</sup> The charity RIP Medical Debt partners with organizations to forgive their employees' medical debts, claiming more than \$5 billion in relief so far.<sup>128</sup> Forgiving medical debt would provide significant relief from financial and emotional stress and enable families to save more.

#### SOLUTION 28

**Offer student loan repayment as a workplace benefit.** People who have student loans are less likely to save for retirement, often forgoing employer savings matches. Employers can offer student loan repayment benefits to support employee recruitment and retention and, in turn, enable workers with student loans to save more despite that debt.<sup>129</sup> In 2018, the IRS authorized a limited number of companies to contribute to their employees' retirement accounts with a match based on the workers' student loan payments (this allows employers to provide that compensation tax-free).<sup>130</sup> Pandemic response legislation expanded this to

all employers from 2020 to 2025.<sup>131</sup> Some public sector institutions also offer direct student loan repayment benefits.<sup>132</sup>

#### SOLUTION 29

**Cancel at least \$30,000 of federal student loan debt per borrower.** More people in the U.S. are attending college, but they are also incurring more student loan debt. While higher education can raise earnings, student debt can make it harder to build wealth.<sup>133</sup> Proposals to forgive student debt<sup>134</sup> would increase wealth in both absolute and relative terms (especially for Black borrowers) and pull many student borrowers out of having negative net worth.<sup>135</sup> <sup>136</sup> Aspen FSP has encouraged federal policymakers to cancel at least \$30,000 per borrower.<sup>137</sup>

#### SOLUTION 30

**Reform debt collection litigation laws and regulations to ensure debts entering the legal system are legitimate and defendants are able to fully participate in their cases.** The number of debt collection lawsuits doubled from 1993 to 2013 and they are the most common type of civil lawsuit today.<sup>138</sup> One study found that as many as 10 million people are sued by creditors each year.<sup>139</sup> Many people do not know they have debt in collections.<sup>140</sup> Improving people's outcomes in debt collection processes begins with ensuring that data for all debt collection actions is consistently and accurately tracked. Lenders already report the data to credit bureaus but there is no public information repository. In the case of debt collection courts, states should publicly report case data for all lawsuits filed.<sup>141</sup> People must also receive better communication from the court system about their case, the circumstances, what to expect in a court hearing, and how to access assistance.

#### SOLUTION 31

**Reform bankruptcy laws to help filers successfully complete the process.** Too often, declaring bankruptcy prolongs indebtedness. More than half of Chapter 13 bankruptcy filers cannot complete their repayment plans, leading to repeat bankruptcy filings. Reforms to bankruptcy laws could limit the long-term damage to people's financial security by better protecting filers from losing their homes, making student loan debt dischargeable, and improving the feasibility of

court-ordered repayment plans. New federal guidelines for bankruptcy judges could also reduce the risk of repeat bankruptcies by encouraging practices such as grace periods and allowing households to keep a greater portion of income that would go to repayment.<sup>142</sup> Policies should also ensure that filers get a clean slate after bankruptcy and are not burdened by consequences that keep them trapped in debt.<sup>143</sup> For example, applications for housing and employment should not ask whether an applicant has filed for bankruptcy.<sup>144</sup>



### Create robust, inclusive systems to transfer investable sums from institutions to individuals or households

Creating a future of shared prosperity and a society in which everyone has the opportunity to build the wealth needed to achieve and maintain financial security requires robust, inclusive systems for the transfer of investable sums from institutions (governments, employers, etc.) to individuals and households. These transfers can include cash, public and private benefits, and financial products and services. Some of the most transformative strategies would establish universal public programs that directly support wealth building. Other solutions are asset-specific, related to liquid savings, retirement accounts, college degrees, and residential real estate.

Universal public programs that directly support wealth-building can include publicly funded personal asset accounts, shares in public asset funds, or dividend payments from such funds. They may be focused on all individuals, all households, or all children, depending on program goals and design. The U.S. federal government does not have any universal asset-building programs, but they are not uncommon. Within the U.S., Alaska's Permanent Fund Dividend provides annual payments to state residents.<sup>145</sup> The Eastern Band of Cherokee Indians issues a semi-annual dividend payment to all adult citizens drawn from casino profits.<sup>146</sup> Elsewhere in the world, sovereign wealth funds in Europe and the Middle East have supported their citizens' well-being for decades. There is a rich and well-developed set of federal policy proposals that envision similar solutions for the U.S.; several are discussed in the recent book

*The Future of Building Wealth: Brief Essays on the Best Ideas to Build Wealth—For Everyone.*

#### SOLUTION 32

**Create universal savings accounts for all children at birth.** Providing all newborns with savings accounts would serve as a “wealth starter kit” to ensure everyone has capital to invest in their futures.<sup>147</sup> One prominent version of this idea, baby bonds, have been described as public trusts that would be given to every child born in the United States, structured progressively based on household wealth.<sup>148</sup> Universal children's savings accounts, another leading proposal, would establish a college savings account for each child at birth, seeded with a significant initial deposit and regular government contributions over time based on the household's income.<sup>149</sup> These programs have great potential to narrow racial wealth gaps<sup>150</sup> and would also reduce gender-based wealth inequality.<sup>151</sup>

#### SOLUTION 33

**Transfer revenues generated by our national natural resources to households.** Several policy experts have in recent years proposed different strategies that would transfer revenues generated by natural resources—and efforts to preserve and strengthen those resources—directly to households. An example of this strategy is the Alaska Permanent Fund Dividend, an annual payment to Alaska residents deriving from public investments made with surplus revenue from oil and gas reserves.<sup>152</sup> Other approaches are designed to ensure that government efforts to mitigate climate change provide tangible benefits to taxpayers, such as “carbon dividends.”<sup>153</sup> In *The Future of Building Wealth*, Barnes suggests that natural resources and public goods are part of Americans' “social inheritance,” and could provide a foundation for everyone to build wealth.<sup>154</sup>

#### SOLUTION 34

**Create a citizens' wealth fund.** Currently, 56% of people in the U.S. report owning stocks (including through retirement accounts), which correlates with having higher income, more education, and being white and male.<sup>155</sup> By making stock ownership universal, a citizens' wealth fund as proposed by the economists Mark Blyth and Eric



Loneragan in *The Future of Building Wealth* would allow *everyone* to benefit when the investment markets perform well.<sup>156</sup> The idea is a type of sovereign wealth fund, which is a state-managed investment fund with holdings in global assets that can be used for public investment. For example, Norway uses surplus oil revenues to invest in global assets that make up its Government Pension Fund.<sup>157</sup> In the citizens' wealth fund approach, the bottom 80% of Americans by asset ownership would be given equity in a diversified portfolio of assets that grows steadily over time.<sup>158</sup> In addition to allowing citizens to draw on the fund for productive uses such as education, home equity, or entrepreneurship, returns would be paid out in the form of endowments at the age of 21. The citizens' wealth fund would help all households amass investable sums and could even reduce political polarization by creating a shared sense of ownership in the country's wealth.<sup>159</sup>

### SOLUTION 35

**Provide matches on short-term savings through employers and governments.** People and families that lack routinely positive cash flow struggle to amass enough liquid savings to purchase assets or invest because they experience frequent cash shortfalls. Employers and governments alike can help by providing savings matches.<sup>160</sup> Employers can implement workplace emergency savings accounts that their workers contribute to through payroll deduction and contribute funds to those accounts. Policymakers could help this strategy scale by allowing employers to make enrollment automatic unless people opt out, as is common with retirement savings programs. Governments could also provide matches within existing savings structures, such as offering them paired with retirement savings accounts.<sup>161</sup> Boosting enrollment in matched short-term savings programs would help families build, use, replenish, and keep building savings and making progress toward long-term goals.<sup>162</sup>

### SOLUTION 36

**Increase federal and state funding for need-based grants to college students.** Increasing federal and state grants to LMI college students would help them reduce out-of-pocket expenses and, by reducing their reliance on student loans, reduce their monthly cost of servicing debt. The

federal Pell Grant is the largest existing program, and several states have supplemental grant programs. Inadequate and inconsistent levels of funding limit the impact of Pell Grants. Reforms should increase the number of students receiving need-based grants and the amount of funds eligible students receive.<sup>163</sup>

### SOLUTION 37

**Scale up down payment assistance programs.** Amassing enough savings to make a down payment is one of the largest barriers facing first-time homebuyers. Governments, nonprofit organizations, and employers across the nation operate successful down payment assistance programs but the scale of funding does not match the scale of the problem. Institutions can expand their programs and focus on serving groups that have been excluded from homeownership opportunities in the past.<sup>164</sup> A federal program could also help close racial wealth gaps.<sup>165</sup>

### SOLUTION 38

**Remove asset limits and benefit cliffs from public benefits programs.** While public benefits programs—such as Temporary Assistance for Needy Families (TANF), the Supplemental Nutrition Assistance Program (SNAP), and Social Security Disability Income (SSDI)—provide crucial support to financially insecure families, through asset limits and benefits cliffs they can unnecessarily limit participants' ability to amass investable sums through asset limits and benefits cliffs. Asset limits, which apply in varying forms to each of the programs above (depending on the state), prevent people from amassing investable amounts of savings or owning many assets.<sup>166</sup> Benefits cliffs are harmful because people can lose benefits entirely for exceeding income limits by a few dollars, disincentivizing work and diminishing LMI people's ability to build up savings. Within public benefits programs, asset limits must be reformed, if not eliminated, so that lower-wealth people and families in need of support are not forced to spend down everything they have. Benefits cliffs should be smoothed to ensure that LMI families and workers can transition gradually out of safety net programs without experiencing instability.<sup>167</sup>

## Solutions that provide access to affordable assets to purchase



Amassing investable sums prepares households to purchase assets and grow their wealth. But to actually make purchases, households must have access to assets they can afford. These assets include real estate and land; publicly traded stocks, equities, and bonds (most frequently purchased through participation in retirement plans); business equity (through investing in or outright buying an existing business) or physical assets for a small business; and vehicles. College degrees are also assets, though it is difficult to predict how well a specific college degree will help a specific individual student build wealth over their lifetime, especially when the degree is financed with student loans.

### Objectives to solve for:

We have identified four objectives, which, if met, would mitigate or eliminate key barriers to accessing affordable assets to purchase. These are:

**1. Everyone has access to low-cost or tuition-free public college and university education.** Reducing tuition and fees through increased public funding is the best way to reduce student loan borrowing while enabling graduates to turn their additional income into savings and wealth.

- 2. There is an abundant supply of all housing types for purchase, especially “starter homes.”** With more affordable housing available to purchase, LMI families will have more opportunities to become homeowners and grow their home equity—the dominant source of wealth.
- 3. All adults have access to a low-cost, high-quality retirement savings account.** Easy and early access to retirement savings will increase wealth holdings and ensure financial security in retirement for all workers.
- 4. Innovation in asset classes and ownership structures provides lower-wealth investors access to a wider variety of assets.** With more types of assets available to purchase, LMI households can pursue more diversified portfolios that both grow wealth and insure against risk.

The solutions that ensure people have access to affordable assets to purchase and also meet these objectives are mostly asset-specific, related to college degrees, homes, and retirement accounts.



## College degrees

College degrees are intangible assets that indirectly support wealth building. Degree holders earn significantly more money over their working years than those who do not have an associate's or bachelor's degree. The degree itself increases earning power in the labor market more than having taken all relevant course work without graduating because employers value the "signal" of the degree.<sup>168</sup> Other than homes, college degrees are among the most expensive assets typical people pursue, and most students entering higher education today rely on student loans. College degrees cannot be effective wealth-building assets for most students in the current environment because they are so expensive and student loans work so poorly for so many borrowers. These solutions are designed to achieve the objective that everyone has access to low-cost or tuition-free public college and university education.

### SOLUTION 39

**Guarantee all students 2-4 years of low-cost or tuition-free public higher education through federal or state policies.** The cost of college has more than doubled over the past 30 years, and is now primarily paid through federal student loans,<sup>169</sup> resulting in more \$1.7 trillion in outstanding student debt today. This is especially true for Black students, who rely more on student loans to finance higher education as they have less wealth to draw from.<sup>170</sup> To increase college enrollment and reduce students' need to borrow, higher education could be subsidized or made entirely free.<sup>171</sup> Some states have already enacted policies that provide tuition-free attendance at community and four-year colleges.<sup>172</sup> Research on these policies show that program design is key, as some increase enrollment and reduce student debt default,<sup>173 174</sup> while others have negligible effects on enrollment.<sup>175</sup>

### SOLUTION 40

**Increase federal and state funding of public colleges and universities.** Public spending in the mid-20th century to increase college enrollment via affordability resulted in the U.S. having the highest number of college graduates in the world. That advantage has eroded as



**College degrees cannot be effective wealth-building assets for most students in the current environment because they are so expensive and student loans work so poorly for so many borrowers.**



other countries made similar investments and U.S. governments reduced their direct spending in favor of financing higher education with debt. To make higher education affordable for students once more, federal government and state governments can restore their historic role in funding public higher education institutions through public revenues and increase need-based grants to LMI students.<sup>176</sup>

### SOLUTION 41

**Expand employer tuition assistance to more workers.** Tuition assistance—when an employer helps pay for college courses—is an effective way for students to avoid large debts. For example, Starbucks offers full tuition coverage for its full- and part-time employees for an online bachelor's degree at Arizona State University. Under certain conditions, the U.S. military, National Guard, and Reserve service members receive 100% tuition coverage for post-secondary coursework.<sup>177</sup> Expanding tuition assistance programs as an employee benefit could motivate more people to enroll in higher education while remaining in the workforce—an important consideration during the first tight labor market the U.S. has experienced since the 1990s. This presents a win-win opportunity for workers and employers alike, as workers build their future earning capacity while employers continue to benefit from their participation and skills.

### SOLUTION 42

**Guarantee that federal student aid, including grants and work study funding, covers all of LMI students' demonstrated financial need.** Federal student aid often underestimates the true needs of low-income students, resulting in an insufficient level of resources to support their education. This problem is particularly

acute for student parents. They not only need to pay for books and supplies, laptops, and other technology that supports learning, but also food, housing, and healthcare for themselves and family members who depend on them. The Department of Education can update how it estimates families' financial needs and Congress can guarantee that low-income students' needs will be fully supported through grants and work study funds.<sup>178</sup>

#### SOLUTION 43

**Supplement federal financial aid grants for LMI students.** States can build on federal grants to increase access to higher education and reduce debt with multiple policies. Debt-free college programs for LMI families such as those in New York and Tennessee have the potential to make higher education accessible to all economic backgrounds. Setting limits to how much tuition can increase depending on economic indicators such as inflation and median income growth would also control higher education costs for students.<sup>179</sup>



### Residential real estate

Homeownership is the largest source of household wealth in the U.S., making it a milestone in younger adults' financial lives and a critical source of equity throughout the rest of their lives. But renters' ability to buy a first home has declined since the Great Recession due to declining production and a mismatch between where new housing is built and where new jobs are created. The following solutions are designed to achieve the objective that there is an abundant supply of all housing types for purchase, especially starter homes.

#### SOLUTION 44

**Reform zoning requirements at the state or local level to diversify and expand the supply of housing.** Zoning codes that do not allow for anything but single-family housing in most residential areas artificially restrict housing supply, driving the price of homes up and putting homeownership out of reach for many families. This contributes significantly to wealth inequality since housing becomes conditioned on access to particular neighborhoods. Changing zoning

laws to allow for diverse uses and greater density could increase the supply of available homes while lowering costs. For example, zoning laws could permit 2-4 unit buildings on single-family lots and allow homeowners to add accessory dwelling units. Zoning codes could also permit denser development within places zoned for single-family homes to increase the supply of smaller, lower-cost "starter homes." Such reforms would make it easier for people to become homeowners.<sup>180</sup>

#### SOLUTION 45

**Increase the allocation of capital by institutional investors for the development of starter homes.** Unlike individual investors, institutional investors are organizations or companies that manage other people's investments. Examples include investment banks, hedge funds, and insurance companies.<sup>181</sup> There is potential for institutional investors to play a role in increasing the availability of starter homes, which first-time homebuyers can purchase as a temporary, affordable residence while they build credit for a long-term home purchase.<sup>182 183</sup> However, the supply of starter homes has declined in recent years, leaving fewer options for entry-level homeownership.<sup>184</sup> Institutional investors can use their technical proficiency and access to global financial markets to develop innovative ways of deploying capital toward starter homes. While some of this investment is already made through philanthropic organizations, there is potential to establish more ventures that align social impact with profit. Conducted at a nationwide scale, this could have a meaningful impact to increase the availability of starter homes.<sup>185</sup>

#### SOLUTION 46

**Adopt universal design requirements for all new residential development.** The need for housing that is accessible to wheelchair users and other people with mobility limitations and older people far outpaces the supply. Universal design is a set of principles that aims to make living environments highly people-driven to accommodate diverse needs.<sup>186</sup> Other than elevators (which are not always necessary in multi-story buildings), most of the standards do not add significantly to the cost of construction,



and making them standard practice would further lower the cost.<sup>187</sup> Adopting universal design standards for new residential development would ensure that the stock of housing that is accessible to everyone will grow substantially over time. It would also ensure that homeowners who become disabled (or age into limitations on their health and mobility) would not be forced to sell their largest asset and move.

#### SOLUTION 47

**Reduce barriers to factory-built housing.** Most homes are constructed on site. Supplies and materials are delivered to where the home will be placed, and workers construct the building. Modular homes and manufactured homes are, instead, built in factories and shipped to sites where workers install the home.<sup>188</sup> Factory construction is faster and more efficient, affordable, and environmentally friendly than site-built construction. However, consumers are sometimes uncertain about the quality of factory-built housing or hold negative stereotypes about the people who live in them.<sup>189</sup> Barriers to manufactured homes include exclusionary zoning; a lack of high-quality, affordable financing options; and the high likelihood that homeowners lease the land.<sup>190</sup> Barriers to modular homes include supply chain challenges and the costs of shipping large quantities of supplies to the factory and then, once used, to the home site.<sup>191</sup> For both, there is the challenge of producing a standardized product that meets many local building codes, which vary significantly within states and across regions of the country. Reducing the barriers to factory-built housing would allow manufactured and modular homes to play a greater role in solving acute supply shortages, putting homeownership within reach of millions of renters, and enabling homebuyers to build equity more quickly.



### Retirement accounts

Retirement savings are the second largest source of household wealth in the United States.<sup>192</sup> However, account ownership and balances are distributed unevenly across socioeconomic groups, and particularly across racial groups. A secure retirement takes more income than Social Security Benefits provide. For everyone

to have a secure retirement, everyone needs access throughout their adult lives to retirement savings accounts with high-quality features. This is true regardless of whether people are working, where they work, or how much they are paid. High-quality account features include automatic enrollment, significant savings matches, integration or pairing with emergency savings accounts, and automatically diversified and risk-adjusted investment options. Other critical features include account portability so people's savings easily move with them as their lives change, and innovations to ensure that people's savings can provide an income stream throughout their retirement years if that is what they need.<sup>193</sup> <sup>194</sup> The following solutions are designed to achieve the objective that everyone has access to a low-cost, high-quality retirement savings account.

#### SOLUTION 48

**Require all employers to offer retirement savings accounts to workers with automatic enrollment, and provide employers with a no-cost plan option to minimize their cost and administrative burden.** The current patchwork of employer-sponsored retirement plans in the U.S. has created inequities in access. People of color and women have been disproportionately excluded because most quality workplace retirement programs are provided by employers in high-paying sectors. We can make significant progress toward closing gaps in retirement savings by requiring all employers to offer automatic enrollment into a retirement program and supporting employers by providing them with a no-cost plan option for their employees that relieves them of fiduciary liability. State-facilitated auto-IRA programs—like OregonSaves, CalSavers, and Illinois Secure Choice—are currently bringing hundreds of thousands of previously excluded workers into workplace retirement programs for the first time, with more states set to implement programs in the coming years.<sup>195</sup>

#### SOLUTION 49

**Offer emergency savings tools in combination with retirement savings accounts.** As discussed in Solution 35, many lower-wealth workers delay saving for retirement or save less than they want to because they need to continually replenish their emergency savings to maintain liquidity. Retirement

plan providers and sponsors can help people do both simultaneously by offering emergency savings tools in combination with retirement savings accounts. This could be done through product integration, such as “sidecar savings accounts,”<sup>196</sup> or by offering both emergency savings accounts and retirement accounts as complementary workplace benefits.

#### SOLUTION 50

##### **Make retirement savings accounts portable.**

Workers should not have to experience disruptions in retirement savings just for changing jobs. Instead, retirement accounts should be portable, allowing for automatic transfer across employment circumstances. Emerging technologies can help track these accounts and automate funds transfers for smooth transitions. This kind of portability could increase participation in retirement accounts, prevent withdrawals upon a job change and leakage,<sup>197</sup> and reduce the incidence of abandoned accounts.<sup>198</sup>



##### **Innovation in asset classes and ownership structures**

Supporting innovation in types of assets available for purchase is important because, aside from land, all assets are human creations, from homes and college degrees to money itself. Given the lack of inclusivity baked into so many relevant systems and products, innovation is an important strategy for creating inclusive systems. In the past decade, several new technologies have created new opportunities to invest in assets. Many of them have the potential to democratize forms of wealth building. There are, however, no guarantees that they will develop in that direction. That will require deliberate efforts to be inclusive of, and effective for, people impacted by financial exclusion. The following solutions are designed to achieve the objective that innovation in asset classes and ownership structures provides lower-wealth investors access to a wider variety of assets.

#### SOLUTION 51

**Increase consumer access to assets built on blockchain technology, such as cryptocurrencies.** Since blockchain technology allows people to access liquidity without the need of a third party such as a bank or other financial institution, it has the potential to open access

to asset financing for people who have been traditionally left out of the financial mainstream. This is especially true for communities of color where bank branches are less likely to open, and banks have sowed distrust through a history of discriminatory practices. However, volatility and a lack of regulation could pose major risks to LMI families who rely on cryptocurrencies to build assets.<sup>199</sup>

#### SOLUTION 52

**Develop ways for consumers to leverage their digital data as an asset.** Modern services are increasingly driven by consumer data generated through internet use. Today, most people have data profiles that companies access and use to grow their revenues. This strategy has led to rich profits for some large firms and created privacy concerns for internet users. This situation has led to proposals for “digital dividends” that compensate people directly for their data. Paying citizens for their data can take a variety of forms: governments can tax data usage by companies and invest in public programs that help families build wealth, such as universal savings accounts and debt-free college;<sup>200</sup> companies could make direct payments to people for the data they produce;<sup>201</sup> or taxes on data extraction could fund a “universal basic income of data” given to all citizens.<sup>202</sup>

#### SOLUTION 53

**Expand fractional shares investing opportunities.** While not a new idea, fractional shares are undergoing a wave of innovation. Fractional shares allow investors to purchase tiny portions—as little as \$1 worth—of shares in assets. Since the price of shares are so low, more investors from low- and middle-income backgrounds can participate in the stock market. The distribution of stock ownership is highly unequal—as of 2019 only households in the top 10% of net worth were majority stockholders.<sup>203</sup> Participation in fractional shares could increase if they were expanded from publicly traded stocks to other assets including real estate, cryptocurrencies, startup investments, debt portfolios, bonds, and even fine art. The government could also create systems that connect individual investors to high-growth opportunities currently limited to institutional investors.<sup>204</sup> For families with low wealth, fractional shares present an opportunity to both grow assets and diversify their portfolios.



## Solutions that expand access to consumer-friendly financing for asset purchases



People must have access to safe and affordable loan products to finance homeownership, higher education, and assets such as vehicles or business equipment. Previous sections have highlighted solutions that reduce peoples' need to borrow and reduce or eliminate the harmful debts they hold; this section focuses on ensuring that when people must finance an asset purchase, they receive the best possible loan and best possible terms, without disadvantage due to race or any other protected characteristic.

### Objectives to solve for:

We have identified six objectives, which, if met, would ensure that people are set up to succeed in credit markets and are able to access the best possible financing available to them. These are:

- 1. Everyone has access to basic banking services and access to affordable credit.** Not just all individuals, but all communities must have access to affordable, trusted financial services providers that serve lower-wealth households.
- 2. Credit reporting and scoring practices provide more opportunities to build good credit.** Consumer reporting firms need

to provide more opportunities for people to document their ability to meet their financial obligations and ease the process of rebuilding credit scores. This also entails changing how institutions access and use individuals' credit reports and scores so merely having a poor credit history does not limit access to employment, housing, insurance, or other services.

- 3. Federal student loans become less expensive and easier to understand and repay.** While reducing student loan borrowing and outstanding debt are essential strategies, it is likely that federal student loans will remain a common resource for many students, so improving their quality is equally important.
- 4. Mortgage credit is widely available to people of all income and wealth levels and for homes of all types.** Homes are among the most desired and important assets people invest in to build wealth. Homeownership is also the most common way to stabilize long-term housing costs, which enables homeowners to increase their investments in other wealth-building assets. Ensuring that high-quality mortgage credit is widely available is critical to inclusive wealth-building efforts.

### 5. Small business financing options are available for small businesses of all sizes.

Small businesses need more diverse and affordable financing options. This is especially the case for small businesses that lack significant collateral (including the personal assets of the owners), are relatively small in scale, or are jointly owned. New financing options can better position small business owners to grow their businesses' revenues and build wealth through their businesses.

### 6. Financing is available to purchase or expand cooperatively owned assets.

This includes business assets, such as worker co-ops, and assets like real estate that are purchased in community with others.

The solutions that address these objectives begin with a necessary foundation of access to affordable basic banking services and opportunities to build good credit tailored to each person's needs. Other solutions address financing for college degrees, homes, and small business equity.



### Basic banking services and consumer reporting practices

Basic banking services are the building blocks of peoples' financial lives. Likewise, a credit report and adequate score are the foundation of a person's access to credit. These solutions are designed to achieve the first two objectives above: everyone has access to basic banking services and access to affordable credit, and credit reporting and scoring practices provide more opportunities for people to build good credit.

#### SOLUTION 54

**Increase public and private support for CDFIs, credit unions, and Minority-owned depository institutions.** Low-income communities often do not have access to mainstream, quality finance important for funding asset purchases. Community Development Financial Institutions (CDFIs) are community-based banks, loan funds, or depository institutions that provide credit and financial services. Minority-owned depository institutions (MDIs) are banks and credit unions owned by people of color. CDFIs and MDIs offer financial products on favorable terms that

allow low-income and low-wealth households, as well as people of color, to access checking and savings accounts, take out mortgages, or start a business.<sup>205</sup> With more public investment and partnerships with government and larger financial institutions, CDFIs and MDIs could play an expanded role in providing financial services to communities that are underserved.<sup>206 207</sup>

#### SOLUTION 55

**Modernize the Community Reinvestment Act.** The Community Reinvestment Act (CRA) has, since 1977, required banks to meet the credit needs of the low-income communities in which they operate. They do this primarily through mortgage and small business lending, as well as financing certain capital projects, making other investments in LMI communities, supporting CDFIs, and performing other forms of community service. CRA has delivered more than \$2 trillion in covered investments over the past 45 years.<sup>208</sup> However, current CRA regulations are largely based on a 1995 version of the rule issued in response to legislative changes.<sup>209</sup> CRA modernization is necessary because of consolidation in the banking industry, the changing geography of economic growth in the U.S., and massive shifts in how typical consumers structure their financial lives. Among changes to address these challenges, CRA modernization should include a focus not merely on meeting LMI communities' credit needs, but also the wealth-building supports that community members need. Federal agencies can make some changes, but legislative action is necessary to fully update the law.

#### SOLUTION 56

**Remove medical debt from credit reports.** The coronavirus pandemic has exacerbated existing problems with medical debt in the United States. As of November 2021, more than 40% of working-age people in the U.S. had a problem with a medical bill or medical debt within the past year. Past-due medical bills can show up on credit reports, damaging credit scores and access to finance for key sources of wealth such as a home, a car, or business capital. Black families are more likely to have past-due medical debt, which disproportionately affects their credit scores.<sup>210</sup> Removing medical debt

from credit reports would not only help ensure that people do not lose access to affordable credit because they received medical care. It would also help close racial disparities in debt.<sup>211</sup> Of course, eliminating medical debt from credit reports does not eliminate the debt itself. Solution 27, however, focuses on medical debt forgiveness.

#### SOLUTION 57

**Improve credit reporting dispute processes to ensure inaccurate derogatory information is not included in reports.** One in five consumers have found errors in their credit reports.<sup>212</sup> According to a report from the Consumer Financial Protection Bureau, complaints to the bureau about credit reports increased by 129% from 2019 to 2020, reflecting the financial consequences of the pandemic. The report also found that most people with credit disputes are younger, have lower credit scores, and are more likely living in areas with majority Black and Hispanic/Latino populations. These inaccuracies can unfairly damage credit scores, making credit access harder for people who need it to build wealth. While the Fair Credit Reporting Act provides a process for correcting inaccurate information, it is often difficult for consumers to navigate, leaving inaccuracies uncorrected.<sup>213</sup> Credit reporting dispute processes should be simplified for consumers so they can ensure that their credit scores do not suffer unnecessarily.

#### SOLUTION 58

**Incorporate more inclusive data into the most frequently used credit scoring algorithms.** For years, consumer reporting agencies (CRAs) and credit score modelers have experimented with adding new types of data into credit reports and scores, including payments for rent, utilities, and mobile phone service. These initiatives have largely had positive results, increasing the number of people who have credit reports (they become “credit visible”) and whose records have enough information to generate credit scores. These approaches should no longer be considered lesser alternatives to scores generated with traditional data, but incorporated into the most frequently used scoring algorithms. Fannie Mae recently began

including rental payment history in factors mortgage loan underwriters should consider.<sup>214</sup> More financial institutions should follow suit.<sup>215</sup>

#### SOLUTION 59

**Limit the data that consumer reporting agencies can collect and how third parties can use both credit reports and scores.** The ability to participate in mainstream financial systems is increasingly dependent on third-party CRAs and algorithmic scoring systems. In addition to the three nationwide credit reporting companies (Equifax, TransUnion, and Experian), dozens of boutique reporting companies cater to specific sectors.<sup>216</sup> These practices can undermine both short-term financial stability (e.g., a negative report from ChexSystems<sup>217</sup> can prevent people from opening checking and savings accounts) and long-term efforts to build wealth (e.g. medical histories provided by MIB Underwriting Services<sup>218</sup> can determine one’s access to and costs of life insurance and similar products). Moreover, consumers should have more privacy and control over financial data that is included in CRA reports.<sup>219</sup> Limiting the data that CRAs can collect, and how other companies can use them, will ensure that consumer reporting and scoring practices provide more opportunities for people to build good credit.



### College degrees

Other than homes, college degrees are among the most expensive assets typical people pursue, and most students entering higher education today rely on student loans. College degrees cannot be effective wealth-building assets for most students in the current environment because they are so expensive and student loans work poorly for so many borrowers. These solutions are designed to make student loans less expensive for borrowers and easier to understand and repay successfully.

#### SOLUTION 60

**Reform the structure and features of federal student loans.** Student loan borrowers face additional costs through capitalized origination fees, high interest rates, and the amount of compounding interest that accrues when monthly payment amounts are set below monthly interest accruals. Federal policymakers could make

student loans significantly more affordable and less damaging to people's long-term financial security by restructuring the loan programs to reduce origination fees and interest rates, eliminate negative amortization, and automatically enroll people in income-driven repayment.<sup>220</sup>

### SOLUTION 61

#### **Reform the federal student loan servicing system to improve borrowers' outcomes and ensure that loan forgiveness programs work.**

Broad reform of the federal student loan system should guarantee that all student loans are feasible to pay off and are no longer an impediment to building wealth. An Urban Institute proposal would replace the current system with a single income-driven repayment program (IDR) that would maintain a relatively low repayment requirement that is assessed only for incomes above 150% of the poverty level. A proposal from the American Enterprise Institute would cap interest accruals to prevent balances from growing when repayments do not cover interest, or replace interest with an origination fee amortized over the life of the loan. Loan forgiveness programs would be more effective at helping borrowers build wealth if forgiveness is made tax free across all IDR plans.<sup>221</sup>



### Residential real estate

Owning a home is not only considered a rite of passage into full adulthood in the United States, but also the foundation of most families' net worth. Lower-income and lower-wealth borrowers need access to affordable mortgage credit, and people in areas with lower home values need access to small-balance mortgages. These solutions are designed to ensure that mortgage credit is widely available to people of all income and wealth levels and for homes of all types.

### SOLUTION 62

**Scale up small-balance mortgage lending programs from mission-based lenders.** In many low-income housing markets, median income is high enough to afford small-balance mortgages (\$100,000 or less). However, these areas do not receive mortgage loans primarily for two reasons: the difficulty of recouping loan origination and servicing costs, and the perceived higher credit risk of borrowers.<sup>222</sup> While it remains true that

small loans are less profitable than larger ones, a 2019 Urban Institute study found that small-balance mortgages perform similarly to loans with higher balances. Non-profit and mission-based lenders are filling this need by focusing on small-balance mortgages without high premiums charged by other lenders.<sup>223</sup> Freddie Mac has introduced a pilot to purchase older small-balance loans made by small financial institutions. Scaling up these programs would put homeownership within reach for many people who are currently unable to secure lending.

### SOLUTION 63

#### **Make FHA loans more effective wealth-building products for low-income homebuyers.**

A Federal Housing Administration (FHA) mortgage loan is a mortgage loan designed for low- and moderate-income borrowers that is insured by the FHA and issued by an FHA-approved lender. FHA loans typically require a lower down payment and lower credit scores than typical mortgage loans. These loans are particularly important for Black and Latino communities as well as first-time home buyers of all races and ethnicities. While these loans require less money down, the premiums on mortgage insurance that buyers are required to purchase are higher than premiums on conventional loans. The FHA should lower these premiums to make its loans unlock more of the wealth-building potential of homeownership for LMI homebuyers.<sup>224</sup>

### SOLUTION 64

#### **Reform home appraisal practices and policies to reduce racial disparities in home values and appreciation.**

Multiple studies have found that Black- and Latino-owned homes are devalued compared with white-owned homes, even after controlling for other factors that determine home appraisals.<sup>225 226 227</sup> This suggests racial bias within the appraisal profession, which is 89% white and only 2% Black and Latino.<sup>228</sup> The Appraisal Institute, the leading professional organization of appraisers, has recently acknowledged this bias and is taking steps to increase training on unconscious bias, update its professional ethics standards, and expand diversity initiatives.<sup>229</sup> Enhancing tools to increase the accuracy of contact-free home valuations and removing the use of racial or ethnic makeup to identify comparable homes could help close the racial appraisal gap.<sup>230</sup> In 2021, the



Brookings Institution's Metropolitan Policy Project and Ashoka Changemakers initiated a contest to identify and refine promising strategies to more accurately value homes in Black neighborhoods.<sup>231</sup>

### SOLUTION 65

**Improve and expand housing finance investments within Native reservations and tribal lands.** Tribal areas face major barriers to housing finance including being located far away from most housing developers and construction materials for sale; weak local economies; underdeveloped infrastructure; limited institutional capacities; and a complex legal environment for using tribal land.<sup>232</sup> While policies such as self-determination, the Indian Housing Block Grant (IHBG), and the low-income housing tax credit have helped finance new housing and spur economic development, current programs need to be strengthened and expanded.<sup>233</sup> Solutions include: 1) increasing funding for tribal housing programs to keep pace with inflation; 2) re-authorizing the Native American Housing Assistance and Self-Determination Act—which sets funding rules for the IHBG—to include more opportunities for funding, improved responsiveness from HUD, further autonomy for tribal governments, and more flexibility in housing program design; and 3) aiding the development of housing markets by improving the creditworthiness of tribal residents and promoting lending institutions to open on or near tribal lands.<sup>234 235</sup>

### SOLUTION 66

**Scale up the community land trust model for homeownership.** Community land trusts (CLTs) transfer land ownership to a nonprofit organization or public agency.<sup>236</sup> CLTs are most often deployed to increase the supply of permanently affordable rental housing, but are also used to create long-term affordable homeownership options. In that case, the entity that owns the land builds homes or rehabilitates existing homes and sells the dwellings at affordable prices with low-cost loans. In exchange, buyers agree that they will sell their homes only to low-income families at a discounted rate. This enables homeownership for lower-wealth households. It also stabilizes housing costs at an affordable level, enabling residents to save and invest more in other areas.

### SOLUTION 67

**Scale up financing for other housing models with joint ownership of land and personal ownership of home structures.** Condominium buildings are the primary example of this model in the United States, but they are far from the only one. Some shared-equity homeownership programs take the form of land owned jointly by residents themselves, who each own their homes individually. This is the idea behind the Resident Owned Cooperative (ROC) model for manufactured housing communities. Instead of homeowners renting the lot of land beneath their homes from a park owner, homeowners cooperatively purchase the whole community and govern it as a cooperative with elected board members.<sup>237</sup> Like CLTs, these solutions enable homeownership for lower-wealth households and also stabilize housing costs, enabling residents to save and invest more in other areas.

### SOLUTION 68

**Increase private investments in firms that finance homes designed to be cooperatively owned and improve consumer mortgages for these homebuyers.** Sharing a home with family or friends has become more common in the U.S. in recent years. As housing costs have grown and incomes have not kept pace, more people cannot afford to live by themselves.<sup>238</sup> Also, as the nation has become more racially and ethnically diverse—and as the population has aged—a greater proportion of families now prioritize multigenerational living.<sup>239</sup> But it is still rare to cooperatively own a home with other, unrelated people. This would be a more viable option if large investors (e.g., real estate investment trusts) prioritized the development of homes designed to be co-owned, that provide separate living spaces for each family.<sup>240</sup> Investors have recognized the value in this model for investment properties and vacation homes.<sup>241</sup> Mortgage lenders could also innovate and improve upon the loan options available to buyers of co-owned homes. Increasing these investments would make homeownership more attainable and sustainable for many lower-wealth families.



### Small business equity

Building business equity often requires financing through borrowing money or selling shares of equity. These solutions are designed to ensure that small businesses of all sizes have access to appropriate forms and amounts of financing.

## SOLUTION 69

**Implement credit-building programs designed to help low-wealth business owners access credit for their business.** It is hard to start a business with low levels of wealth or poor credit. CDFIs are well-positioned to provide credit-building programs and pair them with access to financial products. This should be complemented with other efforts such as connecting small businesses to new markets, increasing the availability of equity financing, supporting more patient capital, and revising laws and regulations that incentivize mixing personal and business finances.<sup>242</sup>

## SOLUTION 70

**Reform public lending programs and loan guarantee programs to prioritize making small business loans the private market will not, especially low-balance installment loans.**

Financing a small business with debt is not always an option for low-wealth entrepreneurs with few resources to grow their enterprises.<sup>243</sup> Many small business owners—particularly those who are Black or Latino—lack access to lending and grant programs offered by the federal Small Business Administration (SBA). The following reforms would better enable government programs to fill the gap in small business financing left by the private sector: 1) reforming and expanding SBA programs to better support younger, smaller firms, and 2) directing SBA funds toward state and local venture capital.<sup>244</sup>

## SOLUTION 71

**Develop forgivable loans for low-wealth entrepreneurs and business owners.** While borrowing money can be essential for getting a business off the ground, debt financing comes with several risks, as the inability to repay could lead to a reduction of business cash flow, the loss of personal assets, and damage to credit ratings.<sup>245</sup> If public and mission-driven lenders developed the type of forgivable loans the U.S. government offered during the early days of the COVID-19 pandemic,<sup>246</sup> business owners would be better able to translate borrowing into wealth building.

## SOLUTION 72

**Scale up strategies for shared ownership of business equity.** Shared ownership of assets offers a potential route for people to diversify their asset portfolios. This can take many different forms. Businesses can expand the use of employee stock ownership plans or employee ownership trusts, which allow employees to buy company stock and share profits.<sup>247 248</sup> Community wealth building takes an integrated view of local assets by connecting worker-owned entities such as local cooperative and community land trusts to the local supply chain. This integration ensures that workers benefit from the returns to ownership while the community also benefits from the labor provided under these structures.<sup>249</sup> Policymakers can facilitate expansion of shared ownership by guaranteeing loans employees take out to buy company shares, funding shared ownership pilot initiatives, providing workforce training for shared ownership, and offering tax incentives to businesses that adopt shared-ownership models.



## Other jointly owned assets

Shared ownership financing options exist for homes and businesses, though they are unscaled and ripe for innovation. There are few existing options, however, for financing joint ownership of other assets. This solution considers how to finance community members to jointly invest in local assets.

## SOLUTION 73

**Create financing for community ownership of local assets.** While financing for other types of shared ownership exists, it is rare due to challenges with standardized underwriting, assessing multiple sources of risk at once, and managing such loans. Innovation is needed in all sectors. The Community Investment Trust (CIT) model is one promising strategy. It provides technical assistance and financing to community residents to invest in local commercial real estate.<sup>250</sup> Through shared ownership, community members can purchase assets; they can also increase non-labor income by selling their shares.<sup>251</sup> Federal, state, and local governments could draw on the CIT model to increase asset ownership in LMI communities at scale.<sup>252</sup>



## Solutions that enable people to build knowledge and confidence to navigate wealth-building decisions



People need to know what various wealth-building vehicles are and how they operate, so they are aware of all their options and can accurately assess them. People also need confidence in their ability to make decisions wisely and benefit from having a sense of identity as an investor.

### Objectives to solve for:

We have identified three objectives, which, if met, would help people access the knowledge and trusted advice they need to confidently make asset purchase and investment decisions. These are:

- 1. Consumers have access to free and trustworthy sources of financial knowledge and expertise.** People must be able to discern high-quality sources of financial information from inaccurate or biased sources. They need opportunities to learn not only from experts but also from people with common, relevant life experiences.
- 2. LMI and low-wealth consumers can access free, effective non-profit services that help**

**build knowledge, skills, and confidence while addressing specific financial barriers.** Most personal finance discussions are not focused on LMI and lower-wealth people, but it is important to address their unique needs and concerns based on their financial positions.

- 3. Consumers are provided standardized, plain-language, short statements of the costs, fees, and risks associated with their transaction and their asset (or debt) before the time of purchase.** Disclosure statements can be overwhelming, so it is important to ensure that people receive information about the costs, terms, and features of their financial products and services in effective formats and plain, jargon-free language.

Solutions included here range from broad advice about personal finance topics to narrowly targeted resources for specific purposes. Broad solutions relate to people's general sources of financial information and personal finance advice, while other solutions are connected to a specific asset purchase or tailored to specific populations.



## Making relevant knowledge easily accessible, understandable, and trusted

Everyone needs clear, accurate financial information and trusted advice. These solutions are designed to ensure that everyone can access this information and can learn from trustworthy advisors.

### SOLUTION 74

**Dedicate moderated online communities for peer learning about personal finance and investing.** A major friction to accessing public benefits such as Unemployment Insurance and the Supplemental Nutrition Assistance Program is their inaccessibility. Program instructions can be unclear, administrative systems struggle under high demand, and procedures are often cumbersome. To make sense of these systems during the disruptions of the COVID-19 pandemic, people turned to social media platforms such as Twitter, Reddit, and Facebook to share information, frustration, and success stories with peers. Drawing from this example, dedicated online communities for peer learning about personal finance and investing could serve a similar function to increase information and confidence for people to navigate asset-building decisions.<sup>253</sup>

### SOLUTION 75

**Create public websites and resources for individuals and service providers with plain language explanations of relevant topics, asset types, financing, and legal protections.** Important financial information is often dense with jargon, turning potential investors away from opportunities to grow their assets. Publicly available websites and resources that offer financial information should emphasize clear language that omits jargon and is tied to concrete actions. This will reduce barriers to understanding financial concepts and make it easier for people to identify as investors.<sup>254</sup>

### SOLUTION 76

**Move federal and state regulators to establish standards and templates based on evidence about effective consumer disclosures.** People who become the targets of debt collection lawsuits often do not know they have debt in collections or are uninformed about processes that could have prevented the litigation.<sup>255</sup> To inform borrowers about the status of their debt, the Fair Debt Collection Practices Act recently adopted specific requirements for how debt collectors should disclose details about borrowers' debts, rights, and steps for how they can respond in plain-language, accessible communications.<sup>256</sup> Since past disclosure rules have been shown to have no or limited effects on borrower behavior,<sup>257 258</sup> it is important that disclosure regulations are grounded in evidence showing which kinds of disclosures are most effective.<sup>259</sup>



## Financial information connected to asset purchases

People can generally make the best use of financial information, information contained in disclosure forms, and financial advice, when it is provided at a timely, relevant moment. Pre-purchase mortgage counseling is one common example. These solutions are designed to provide salient information at the right times to enable people to feel confident in their choices.

### SOLUTION 77

**Integrate opportunities to learn about relevant issues at salient moments in the asset purchasing process,** such as pre-purchase homebuyer counseling or student loan borrower counseling. Expanded outreach to populations with low financial information could increase their participation in programs that build their wealth. For example, only 2% of eligible people know about the ABLÉ accounts program, which is designed to help them save for disability-related expenses. Government outreach and education targeting eligible people with disabilities could increase awareness and take-up rates of ABLÉ accounts.<sup>260</sup> To make financial education inclusive, banks could adopt outreach programs for people with disabilities so they can participate.<sup>261</sup>

**SOLUTION 78**

**Scale up financial coaching programs delivered by certified coaches to support more LMI households.** Financial coaching can help people better manage their finances by offering a rigorous, personalized, and needs-driven approach to acquiring financial knowledge. Successful models of financial coaching have been shown to reduce debt, increase savings, and improve credit scores. Given the resource-intensive nature of financial coaching, take-up is below potential. Technology could transform how financial coaching is delivered through distance learning, reminders for clients to act on lesson content, connecting clients to quality financial products, and better data collection to track progress and provide evidence of the program's efficacy. More philanthropic partnership can boost the impact of financial coaching through increased funding and dissemination of ideas across networks. Governments can also expand access to financial coaching by integrating financial capability services into existing programs.<sup>262</sup>

**Solutions for specific populations**

Many people need financial knowledge and access to advice that is specifically tailored to people like them, whether that means people of their same age, gender, race, or profession. These solutions focus on ensuring that youth and adults have access to information and advice that is appropriately tailored and customized.

**SOLUTION 79**

**Implement evidence-based, developmentally appropriate financial education and practical learning opportunities for youth.** To make investing more inclusive, financial literacy programs could be targeted at youth of color so that knowledge of investing and good financial skills is instilled in them early on. This will increase the likelihood that they become investors as adults. One model to deliver this education is the Ariel Community Academy, which combines education and practice. Students there observe an investment portfolio designed for them, discuss it with industry

professionals, and use portions of it to buy stocks. Other programs that automatically enroll youth into 529 savings programs can also normalize the idea of having investments and promote savings behaviors at an early age.<sup>263</sup>

**SOLUTION 80**

**Increase private investment in trusted, independent intermediaries that serve specific communities.** Distrust and the limited presence of mainstream financial institutions has left many people in specific communities—such as Native American and immigrant communities—with few safe options to finance assets. Independent financial institutions who are staffed by members of these communities and hold localized knowledge can fill this void in this finance. For example, Native-led nonprofits and tribal governments have used the proximity to their communities to fill gaps by offering financial coaching, savings accounts, and tax preparation in ways that are culturally relevant.<sup>264</sup> Financial services targeting immigrant communities who are overlooked by financial institutions and government programs have implemented innovative programs to build credit, provide emergency relief, and offer safe loans.<sup>265</sup> Expanding funding for these community-specific initiatives would allow them to bring their solutions to scale.

## Solutions that enable people to protect their wealth



As people build savings, acquire assets, and grow their net worth, they need the ability to maintain and protect their wealth from loss. This includes traditional strategies such as insurance for personal assets and consumer and investor protections against wealth stripping. Relative to the earlier phases of wealth building, wealth protection has not been as much of a priority for policymakers or financial industry leaders, so this is an area with fewer well-developed solutions. New ideas and innovations are needed.

### Objectives to solve for:

We have identified three objectives, which, if met, would allow people to better protect the wealth they are able to build. These are:

**1. Innovations in insurance systems enhance people's ability to protect their assets.** While people can insure their homes, there are few or no insurance products available for many other major sources of net worth. Existing insurance products may not cover important sources of risk, such as climate catastrophes. Innovation in both the private and public sectors is necessary.

**2. Public policies do not indirectly cause wealth stripping.** Wealth stripping can be an unintended consequence of public policies, such as regressive and punitive property tax systems. Government fines and fees can also strip wealth away from those who have the least.

**3. People struggling to repay their debts are better able to protect their assets.** People who are struggling with their debts and working with creditors or court systems on repayment options still need emergency savings, but they are generally expected to devote all their liquid assets and discretionary income to debt payments. This can leave people with no options aside from expensive and predatory loans when they experience cash shortfalls.

These solutions are organized based on the risk they are hedging against. This includes the risks of precipitous, unpredictable drops in market values, loss due to asset-stripping policies and business practices, losing assets or asset values due to climate change, and outliving one's retirement savings (longevity risk).



## Insulation from market volatility

Market investments, broadly, dependably generate substantial long-term returns, but investors must often contend with short-term market volatility. These solutions represent innovations in insurance products that would insulate people from market volatility enough so that, for example, people do not lose half their retirement savings at the age of 65 due to a bear market.

### SOLUTION 81

#### **Scale up and insure government-sponsored accounts that are invested in private markets.**

People with lower incomes are less likely to invest their savings, in large part because they have less money to insure against stock market risks. This leaves them out of a wealth-building opportunity that disproportionately benefits higher net worth households. To increase low-income households' investments in risk-bearing assets with high returns while protecting against loss, the government can provide investment accounts coupled with insurance. For example, publicly provided 529 college savings plans can automatically invest contributions in a diversified asset portfolio. To protect against losses due to an economic downturn that affects the entire market, the government can pair these accounts with insurance that allows investors to mitigate the extent of losses.<sup>266</sup>

### SOLUTION 82

#### **Create public insurance options for assets that are critical to household wealth.**

The Great Recession wiped out \$2.5 trillion in housing wealth for homeowners who were sold mortgages they ultimately could not repay. In the same way income losses are protected by a public benefit (Unemployment Insurance), wealth losses could also be protected by public insurance. This would insure only those assets that are important to financial security, such as housing, higher education, retirement accounts, and small businesses. Insurance programs should be well-designed to prevent inadvertently causing risky behavior. Implemented successfully, public insurance could allow LMI families to pursue economic opportunities with the guarantee that all is not lost during an economic downturn.<sup>267</sup>



## Preventing asset-stripping

Some asset-stripping public policies are deliberate, such as laws that enable police to seize the property of people they are investigating, but it is more often an unintended consequence of laws and regulations not directly related to wealth. These solutions ensure that public policies do not erode people's wealth, especially if they have little to lose.

### SOLUTION 83

#### **Eliminate negative amortization of student loans.**

Negative amortization occurs when a person's regular payments on a debt are not enough to cover interest, resulting in balances going up over time. Negative amortization can increase the duration of student loans, leading debt holders to delay accumulating other kinds of assets while trying to service debt.<sup>268</sup> Eliminating negative amortization could prevent student loan balances from mounting despite borrowers making all required payments. Options to achieve this include setting caps on interest accruals, replacing interest rates with an origination fee, or removing interest capitalization from student loans.<sup>269</sup>

### SOLUTION 84

#### **Reform property taxation regimes to prevent foreclosures of low-income homeowners.**

Property taxes are regressive: low-income homeowners tend to pay a greater share of their income in property taxes than higher-earning homeowners. To reduce property tax burdens on LMI homeowners, property tax "circuit breakers" could set a limit on tax liability depending on each homeowner's income. When the tax bill is above a specified portion of the taxpayer's income, the circuit breaker would reduce the taxable amount until it reaches the required limit.<sup>270</sup> Policies designed to relieve property tax burdens on LMI homeowners must be easy to access, not require complex applications, and not require eligible homeowners to pay their property tax bills up front, then apply for reimbursement.



## SOLUTION 85

**Support low-income homeowners' ability to maintain the quality and value of their homes over time.** Low-income homeowners may struggle to afford the maintenance, repairs, and updates that homeownership requires. This is especially true of homeowners who lack labor income because they are disabled or retired. Governments (and, to an extent, nonprofit and philanthropic organizations) have several interests in helping these homeowners maintain the quality and value of their homes. Assistance with maintenance and upkeep can contribute to public health, support place-based economic development strategies, and ensure that properties will remain habitable and relatively affordable for future buyers. For owners, maintaining home values enables them to pass wealth to the next generation. Solutions can include grants, low-interest loans, and volunteer labor.

## SOLUTION 86

**Strengthen debtors' rights in financial transactions and debt repayment processes.** Having wealth does not guarantee well-being when assets are financed with debt and debtors are unprotected from losses in the value of their assets. Debtors benefit less than they might from asset ownership because legal regimes strongly favor the rights of creditors. There is a significant power imbalance in the relationships between businesses that extend consumer credit and individual borrowers, but this can be mitigated through law and regulation.<sup>271</sup> For example, accessing affordable credit often requires borrowers to waive consumer rights or forces them into arbitration practices managed by firms selected and paid by the creditor.<sup>272</sup> Consumer advocates and legal scholars have proposed ending that practice as one component of an agenda to strengthen debtors' rights and ability to protect their financial resources.<sup>273</sup>

## SOLUTION 87

**Limit the role of secondary markets for defaulted debt.** When a person defaults on their debt, the original creditor has the option of selling that debt to a debt buyer, who then has the right to collect the debt or sell it to yet another buyer. These debt buyers can also initiate a debt collection lawsuit.<sup>274</sup> The market for debt buying has grown with the rise of consumer debt accrued from credit cards and student loans. A study of major debt buyers conducted by the Federal Trade Commission found that from 2008 to 2011, about 1 million purchased debts were disputed by consumers.<sup>275</sup> A small amount of disputed debts were resold, which could have contributed to debt collections targeting the wrong consumers and recovering the wrong amounts.<sup>276</sup> While the Fair Debt Collection Practices Act protects consumers from unfair debt collections practices, there is less regulation on the transfers of debt portfolios between third parties that could harm consumers.<sup>277</sup> The Consumer Financial Protection Bureau (CFPB) has proposed rules that would prohibit reselling debts to buyers that have an existing restriction on debt collection or are unlicensed to collect debt in the consumer's state. The CFPB has also proposed to forbid resale of debts that buyers know or should have known were settled, discharged, or the result of identity theft.<sup>278</sup>

## SOLUTION 88

**Provide public funding for legal aid services and attorney representation for LMI defendants in debt lawsuits.** Very few defendants in debt collections lawsuits receive legal advice or contract with an attorney. As a result, 70% end in a default judgment against the alleged debtor. These judgments are public records<sup>279</sup> whose consequences can include long-term struggles with higher debt balances, reduced access to credit, garnished wages, bank account and property seizures, and (in rare cases) incarceration.<sup>280</sup> Such consequences make it difficult for families with debt in the court system to hold onto the wealth they have and even maintain financial stability.<sup>281</sup> Public agencies could help LMI debtors achieve better outcomes that avoid unnecessary wealth losses through funding legal aid and access to counsel programs. Defendants in debt collection lawsuits should have access to free or deeply affordable resources, advice, and legal representation.



## SOLUTION 89

**Reform court-ordered repayment plans and garnishment orders to ensure that judgments do not permanently damage people's financial security.** Court-ordered financial restitution can take the form of monthly payment plans, wage garnishment, asset seizure, or (on rare occasion) imprisonment.<sup>282</sup> States can take several steps to ensure that people with court-ordered repayment plans and garnishment orders have fair opportunities to rebuild their financial lives. States can increase exemptions on income that must be devoted to repayment, allow people to maintain a minimum amount of liquidity in their checking and savings accounts, reform interest rates and policies, shorten the statute of limitations on judgments, and disallow renewal of prior judgments.<sup>283</sup> They can also prohibit judges from issuing bench warrants for unpaid debt and eliminate modern day debtors' prisons.<sup>284</sup>

## SOLUTION 90

**Enable people to protect more of their assets in bankruptcy.** While bankruptcy will always require debtors to make financial sacrifices to repay their creditors, it should not leave filers destitute. People who file for bankruptcy should be able to maintain sufficient emergency savings to manage their anticipated income, and volatility and unanticipated expenses. When people have no liquidity, they must deal with cash shortfalls through high-cost, predatory loans—this contributes to the high rate of incomplete, or failed bankruptcies. Likewise, people exiting bankruptcy should have a modest foundation of assets upon which to rebuild their financial lives. Federal policymakers could pursue a variety of strategies to enable people to protect more of their assets in bankruptcy.



## Hedging against longevity risk

## SOLUTION 91

**Incentivize workers nearing retirement to delay claiming Social Security benefits.** The Social Security retirement age for full benefit receipt depends on each beneficiary's year of birth, but everyone is allowed to begin receiving a reduced amount of benefits at age 62. This flexibility is necessary because people have a wide variety of health, family, and employment circumstances that affect their financial needs. Today, most people claim Social Security before age 67.<sup>285</sup> This creates two challenges. First, the Social Security Trust Fund will become solvent faster if people claim Social Security benefits early and stop paying Social Security taxes on their earned income. Additionally, individuals who claim early are at higher risk of experiencing financial hardship because they have permanently reduced their income (and may also spend down personal retirement assets more quickly than they can afford). One proposal to incentivize workers to delay claiming Social Security would require all workers covered by Social Security and their employers to contribute 1% of their income (up to the Social Security taxable limit) to an invested retirement account.<sup>286</sup> Beginning at age 62, people could choose to begin drawing monthly payments equal to the minimum Social Security benefit, regardless of whether they retire. Once the assets in those accounts are depleted, people could claim Social Security. This would help workers, particularly those with lower lifetime incomes, protect the assets in their traditional retirement accounts as long as possible and maximize their income in retirement.

## SOLUTION 92

**Incorporate annuities or annuitization strategies into retirement savings accounts.** This solution is designed to help retired people ensure they do not outlive their retirement savings—people who can purchase annuities are entering the wealth decumulation phase of life. Their wealth protection needs are shifting from guarding against any losses to ensuring that

their wealth translates into financial resources for as long as they need it to. People can purchase annuities using some or all of their retirement savings, in exchange for regular, ongoing payments (which may have a set term of years or apply for the annuitant's lifetime). The tradeoff is that people are no longer able to earn market-rate returns on their invested savings, so annuitization is best for savers who highly value stability or who are concerned about managing the drawdown of funds on their own. Relatively few people purchase annuities in part because it is complicated.<sup>287</sup> <sup>288</sup> Offering annuities alongside or integrated into retirement plans could solve this problem. More companies offering 401(k)s are expected to offer annuitization tools and strategies, and the Secure Act of 2019 has made it easier for companies to provide them.<sup>289</sup>

### SOLUTION 93

**Create long-term care insurance products and public systems that do not require older adults to liquidate their assets.** While people of all ages may need long-term care services and supports (LTSS), older adults are the majority of those in need. LTSS includes home-based care, care in congregate settings such as independent living centers or nursing homes, and care in other institutional settings.<sup>290</sup> Providing LTSS is expensive and services are generally not covered by insurance plans; in fact, the private market for long-term care insurance products (LTCI) is currently in crisis.<sup>291</sup> In the public LTCI market, Medicare does not cover LTSS expenses, but Medicaid does. Some states are also attempting to set up affordable LTCI programs<sup>292</sup> though with limited success to date.<sup>293</sup> Standard Medicaid asset tests apply, though people are able to maintain their homes and retirement savings. As a result, many financially secure older adults who come to need LTSS spend down all other assets to qualify for assistance. Experts emphasize that it will be difficult to build a more sustainable financing system that delivers the care people need.<sup>294</sup> Increasing public spending on LTSS would ensure that people are able to access the care and help they need as they age without losing all their liquid assets and non-retirement investments.



## Preventing wealth loss driven by climate change

We have articulated a single, broad solution here, but this space is ripe for innovation. Public and private sector leaders alike have opportunities to develop a variety of tools to help people and communities cope with the impacts and preserve their wealth as climate change intensifies.

### SOLUTION 94

**Invest public and private resources in insurance innovations to safeguard household wealth against natural disasters and the impacts of climate change.** Climate change poses a major threat to household wealth through rising temperatures, increased risk of natural disasters, sea level rise, droughts, and other calamities.<sup>295</sup> This is leading to growing premiums for insurance against extreme weather such as flood insurance.<sup>296</sup> Innovation in public and private insurance from the effects of climate change should aim to broaden coverage and maintain affordability so that all families can recover wealth after a disaster. A proactive approach is “parametric” insurance, which, rather than waiting for a claim, automatically triggers funds when an indicator of extreme weather – such as rainfall or temperatures – has reached dangerous levels.<sup>297</sup> For example, farmers could be insured against crop failures by receiving funds when temperatures are high enough to ruin harvests.<sup>298</sup> Risk assessments also need to incorporate the effects of a changing climate, which is not yet standard practice among insurers.<sup>299</sup> Further approaches to protection against climate-induced wealth losses could include pooling risks to reduce the risk burden and thus costs on consumers, national insurance, insurance schemes tailored to regional climate impacts, and better prevention (for example, resilient construction).<sup>300</sup>

## Solutions that take a reparative approach to racial wealth gaps



Building wealth equitably requires not only investing in solutions that grow wealth among the bottom 50% of the wealth distribution, but also prioritizing solutions that transform racist systems and structures throughout government, economic, and social systems. Just as financial stability is a precondition for sustainable wealth building, so too is living a financial life free from the harms of racial discrimination and systematic exclusion. Solutions offered throughout this report would do much to make that possible for people of color across the U.S. This final set of solutions is specifically focused on Black and Indigenous people, who have been disproportionately and uniquely harmed. Applying a reparative approach to racial wealth gaps is important because, after centuries of deliberate harm to Black and Indigenous people in the United States, life free from economic discrimination and financial exclusion remains all but impossible. It is not enough to merely do better starting today. Successfully and equitably closing racial wealth gaps requires efforts to repair past harms as much as possible. It is also important to acknowledge that, while financial compensation is essential, it is incomplete on its own. Making reparations also requires acknowledging the unquantifiable, invaluable human costs of historical harms.

What we mean by “a reparative approach to racial wealth gaps” is a focus on strategies that:

- Directly engage with a specific racist policy or practice,
- Attempt to repair the harms done through that policy or practice, and
- Provide meaningful financial restitution.

Our analysis is informed by the work of Black and Native organizations, leaders, scholars, and advocates, who are ultimately the experts that other leaders should consult, respect, and follow.



**Just as financial stability is a precondition for sustainable wealth building, so too is living a financial life free from the harms of racial discrimination and systematic exclusion.**



## Objectives to solve for:

We have identified two objectives which, if achieved, would increase Black and Indigenous wealth at sufficient scale to enable people to thrive and build intergenerational and community wealth. These are:

- 1. Institutions directly address historic harms to Black and Indigenous people and their obligation to make amends.** This includes acknowledging the connections between the past and Black and Indigenous people's lack of wealth today, paired with transfers of cash, land and natural resources, or other assets as a form of recompense.
- 2. Reparative approaches are implemented at sufficient scale to significantly narrow or close racial wealth gaps within a few decades.** Black and Indigenous people have been impacted by white supremacist systems and institutions for centuries—they should not be forced to wait centuries more to catch up. That makes large scale, transformative strategies necessary.

### SOLUTION 95

**Pay cash reparations to descendants of enslaved people.** One of the key drivers of racial wealth inequality is the suite of racist policies enacted against Black people over the course of American history. This began with enslavement and continued with the scarcity of investment in Black communities after abolition, Jim Crow laws and the Black Codes, redlining, discriminatory lending practices, the lack of justice for victims for anti-Black violence, and displacement amid urban renewal, among others.<sup>301</sup> These policies both stripped and barred access to wealth for descendants of enslaved people. An analysis by the Center for American Progress found that even after bold but universally available policy solutions including Baby Bonds, consumer protections, free college, fair housing, and universal retirement savings are enacted, the Black-white racial wealth gap would persist for many decades, reflecting the lasting consequences of historical racism.<sup>302</sup> This suggests that true racial equity would require reparations for historical injustices. After accounting for all the losses in wealth because of discrimination, one analysis finds that descendants of enslaved

people are owed at least \$11.2 trillion.<sup>303</sup> Under one proposal, reparations would provide a one-time transfer of cash followed by regular asset transfers to the descendants of enslaved people.<sup>304</sup>

### SOLUTION 96

**Pay cash reparations to Indigenous peoples including those native to Alaska, Hawaii, and U.S. territories.** Over the course of American history, American Indian and Alaskan Native (AI/AN) peoples experienced land theft and genocide at the hands of settlers and the U.S. government. This dramatically inhibited prospects for building wealth in the modern economy, and as of 2020 AI/AN households experience more poverty than other groups.<sup>305</sup> To compensate for these historical injustices that reverberate today, the U.S. government should pay reparations to AI/AN people, including those in Hawaii and other U.S. territories. Reparations can take a variety of forms, such as direct cash assistance, cultural preservation, and land reclamation, discussed further below.<sup>306</sup> While reparation efforts have been made in the past, future reparations should not repeat previous errors in implementation such as low amounts of monetary compensation and holding both cash and land-based reparations in trusts rather than directly transferring them to all who were eligible.<sup>307</sup> Mismanagement of these trusts led to a lawsuit that ultimately settled for \$3.4 billion for people who were owed funds.<sup>308</sup>

### SOLUTION 97

**Support tribal governments' efforts to reclaim ancestral lands.** A history of broken treaties and forced removal of Native Americans from ancestral lands has led to growing calls for restoring land ownership. Since reservation land is held in trust by the government, residents cannot use it to build equity.<sup>309</sup> Restoration has already happened in a piecemeal fashion with scattered results: restoration has often required purchasing the land,<sup>310</sup> faced legal challenges,<sup>311</sup> and experienced bureaucratic delays to acquisition.<sup>312</sup> Appropriately and inclusively restoring ancestral lands to Native control would support a just transfer of properties with which Native Americans can both preserve their cultural heritage and build wealth.<sup>313</sup>

## SOLUTION 98

**Address issues regarding heirs' property and lands held in trust that individual owners cannot use as collateral or sell their interest in the asset.** Because of historic discrimination and a mistrust in institutions, many Black and Native American landowners did not make wills and their properties did not have clear heirs. Ownership of the property was transferred through property interest shares among an increasing number of descendants instead of physical ownership. As descendants increased, interest shares decreased, resulting in little wealth for descendants despite a potentially large inheritance. This has created a legal gray area in ownership, making the land difficult for generating revenue and exposing it to outside acquisition. One piece of legislation that addresses heirs' property issues is the Uniform Partition of Heirs Property Act (currently adopted in 17 states), which ensures that properties stay within families when a descendant wants to sell their share and grants owners an accurate appraisal of the land. More legal and financial resources should also be directed toward heirs so that they receive clear legal advice and have funds to maintain their properties. Providing families with physical ownership of their ancestral lands could unlock billions in wealth for heirs.<sup>314</sup>

## SOLUTION 99

**Increase public and private investments in Native-led and Black-led financial institutions, asset-building organizations, and wealth-building initiatives.** Native- and Black-led financial institutions with local and national expertise are already providing financial services in economically marginalized communities. For example, after seeing that CARES Act funds to purchase personal protective equipment were not set up to meet the needs of small, Black-majority towns, the Black Belt Community Foundation and HOPE collaborated to raise funds for grants that allowed several localities in Alabama and Mississippi to make suitable purchases.<sup>315</sup> Likewise, the Oklahoma Native Assets Coalition, Inc. determined that there was no nationally-available Native financial coaching service, so it started on that is now available to all AIAN people across the nation. However, the impact of programs like these is limited without adequate funding. Greater financial support from the federal government and private institutions would give these community organizations the resources they need to scale up their services.<sup>316</sup>

## SOLUTION 100

**Guarantee that Black and Native college students can attend public institutions without taking out student loans.** Many institutions of higher education already have privately funded programs that guarantee lower-income or in-state students they will not need to take out student loans, and provide extra grant aid and work-study funding instead.<sup>317</sup> Congressional leaders have proposed making such a provision for college students from families making less than \$125,000 annually (approximately double the median household income) who enroll at public institutions, tribal colleges, or federally designated historically Black colleges and universities (HBCUs).<sup>318</sup> Focusing this type of program on Black and Native people would facilitate higher graduation rates, as financial difficulties are a leading reason that students do not complete degrees.<sup>319</sup> That, in turn, would enable people to increase their lifetime earnings. Additionally, debt-free college for Black and Native students would avoid the potential for ever-climbing debt balances, high student loan default rates, and the end result of negative net worth.

## SOLUTION 101

**Implement large-scale first-time buyer programs designed for people of color and offer large amounts of down payment assistance to all participants.** The homeownership gap between white and Black households is in large part explained by racist housing policies. Segregation, red lining, steering, and predatory finance all prevented Black families from becoming homeowners, resulting in a gap of more than 25 percentage points in the homeownership rate between Black households (48.5%) and white households (75%).<sup>320</sup> Discriminatory practices have also affected Hispanic/Latino families, for whom the homeownership rate is nearly 50%.<sup>321</sup> Since the primary barrier to homeownership for renters is the cost of a down payment, expanding federal funding for down payment assistance targeting first-time homebuyers of color could partially correct for historical injustices by making it easier for recipients to purchase a standard mortgage.<sup>322</sup> The Department of Housing and Urban Development's existing 184 mortgage loan program provides a model, but it must be expanded to reach all tribal citizens. This kind of down payment assistance could also be offered by companies as an employee benefit.<sup>323</sup>



# Conclusion

The many barriers that prevent at least half of all households from building up the wealth they need are daunting and solving them is a high-stakes endeavor. If recent trends continue—or leaders do not respond adequately to rising challenges like student loan debt and housing scarcity—the bottom half of the wealth distribution could continue losing net worth and racial inequalities in wealth and well-being will become more entrenched. Millennials are the first generation in modern U.S. history to have worse financial outcomes than their parents' generation. Members of Generation Z (who now range from elementary school children to 25-year-old young adults) still have the potential for a better experience, but that requires bold, immediate action. Regardless of age or generation, everyone in the United States today deserves the opportunity to enjoy all the benefits of wealth—resilience; mental and physical well-being; the capacity to invest in economic mobility; ownership, voice, and control over assets; and institutional and intergenerational support.

While the challenges are immense and the stakes are high, there is no shortage of solutions. This report provides an extensive review of the options, identifying 101 strategies that could help low-wealth people and families increase their net worth. All the solutions included in this report reflect the conviction that people will succeed at building wealth if they have the right resources, supports, and incentives. Leaders with the power to create change must understand and tackle structural barriers.

We invite and encourage leaders in the public sector and financial industry, as well as major employers, philanthropic institutions, and nonprofit organizations to recognize their power to create a future of shared prosperity and help close racial wealth gaps—and to take action now. The 101 solutions included in this report can provide inspiration, resources to learn more, and next steps for those interested in pursuing specific solutions.



**We believe that the public, private, and nonprofit sectors can within a decade or so implement reforms that triple or even quadruple the wealth of those at the bottom of the net worth distribution—and make significant progress toward closing racial wealth gaps in the process.**



In the coming year, Aspen FSP will identify a short list of the highest-priority solutions for each of the key stakeholders who have the power to make change. We will consult experts across multiple wealth-building systems, people living with financial insecurity, nonprofit service providers, and others. Together, we will assess solutions based on the potential magnitude of the solution's impact on the net worth and financial security of low-wealth households and people of color. Ultimately, we aim to create a new wealth agenda with transformative power. We believe that the public, private, and nonprofit sectors can within a decade or so implement reforms that triple or even quadruple the wealth of those at the bottom of the net worth distribution—and make significant progress toward closing racial wealth gaps in the process.

## APPENDIX A

# Solutions Index

All solutions in the report are listed here, organized into broad categories that group all solutions related to specific systems, populations, debts, and assets. The categories are:

- Labor income solutions
- Public safety net solutions
- Solutions tailored to children, families, disabled people, and those needing care
- Solutions to reduce or eliminate harmful debts, including in court
- Inclusive financial systems
- Credit reporting and scoring solutions
- Asset-specific solutions:
  - Inclusive asset transfer programs
  - Liquid and emergency savings
  - Market participation and regulation
  - College degrees and student loans
  - Housing cost and homeownership
  - Retirement savings
  - Small business equity
  - Community wealth
- Wealth protection solutions
- Racially reparative solutions

Some solutions appear more than once; **bolded text** indicates that the solution was also mentioned in a previous category (e.g., ‘Solution 5. Create a federal jobs guarantee’ appears first as a job quality and labor income solution, and later also appears as a public safety net solution).

## | Labor income solutions

These solutions would help increase people’s ability to earn sufficient income through work.

- Solution 1. Raise minimum wages.
- Solution 2. Expand union power and sectoral bargaining.
- Solution 3. Reduce occupational licensing requirements.
- Solution 4. Reduce corporate concentration.
- Solution 5. Create a federal jobs guarantee.

## | Public safety net solutions

These solutions would strengthen and modernize social safety net programs. **Bolded text** indicates that the solution was also mentioned in a previous category.

- Solution 5. Create a federal jobs guarantee.**
- Solution 6. Implement a publicly funded guaranteed income.
- Solution 7. Expand the Earned Income Tax Credit.
- Solution 8. Modernize and expand Unemployment Insurance.

- Solution 9. Implement a federal paid sick leave policy.
- Solution 10. Implement a federal paid family leave policy.
- Solution 11. Improve and expand public benefits for disabled adults and children.
- Solution 12. Permanently reinstate the Expanded Child Tax Credit.
- Solution 13. Establish a child allowance.
- Solution 14. Expand both Medicare and Medicaid.
- Solution 16. Increase funding for long-term services and supports for disabled, chronically ill, and elderly people and create subsidies for unpaid caregivers.
- Solution 38. Remove asset limits and benefit cliffs from public benefits programs.

## Solutions tailored to children, families, disabled people, and those needing care

These solutions would address barriers to wealth building that are common for families with children, disabled and chronically ill people, and those needing care. **Bolded text** indicates the solution was also mentioned in a previous category.

- Solution 10. Implement a federal paid family leave policy.**
- Solution 11. Improve and expand public benefits for disabled adults and children.**
- Solution 13. Establish a child allowance.**
- Solution 15. Reduce the costs of care within private health insurance plans.
- Solution 16. Increase funding for long-term services and supports for disabled, chronically ill, and elderly people and create subsidies for unpaid caregivers.**
- Solution 17. Reform and expand ABLE accounts for disabled people.
- Solution 18. Increase public investment in childcare infrastructure.
- Solution 19. Implement universal public preschool.
- Solution 26. Expand access to and improve application processes for hospital charity care programs.
- Solution 27. Forgive medical debt.
- Solution 32. Create universal savings accounts for all children at birth.
- Solution 46. Adopt universal design requirements for all new residential development.
- Solution 79. Implement evidence-based, developmentally appropriate financial education and practical learning opportunities for youth.

## Inclusive financial systems

These solutions would make existing systems within the financial industry more inclusive. **Bolded text** indicates that the solution was also mentioned in a previous category.

- Solution 53. Expand fractional shares investing opportunities.
- Solution 54. Increase public and private support for CDFIs, credit unions, and Minority-owned depository institutions.
- Solution 55. Modernize the Community Reinvestment Act.
- Solution 80. Increase private investment in trusted, independent intermediaries that serve specific communities.
- Solution 81. Scale up and insure government-sponsored accounts that are invested in private markets.

## Credit reporting and scoring solutions

These solutions would ensure that everyone has the opportunity to build good credit and that the credit reporting system is fair. **Bolded text** indicates that the solution was also mentioned in a previous category.

- Solution 56. Remove medical debt from credit reports.
- Solution 57. Improve credit reporting dispute processes to ensure inaccurate derogatory information is not included in reports.
- Solution 58. Incorporate more inclusive data into the most frequently used credit scoring algorithms.
- Solution 59. Limit the data that consumer reporting agencies can collect and how third parties can use both credit reports and scores.
- Solution 69. Implement credit-building programs designed to help low-wealth business owners access credit for their business.
- Solution 78. Scale up financial coaching programs delivered by certified coaches to support more LMI households.

## Solutions to reduce or eliminate harmful debts, including in court

These solutions would prevent people from borrowing to meet basic needs, reduce the amount they need to borrow, provide protection from predatory and high-cost loan products, and more to help people who are struggling to repay their debts. **Bolded text** indicates that the solution was also mentioned in a previous category.

- Solution 24. Increase regulation of expensive, high-risk loans including payday products and vehicle title loans.
- Solution 25. Reduce the burden of government fines and fees.
- Solution 27. Forgive medical debt.**
- Solution 30. Reform debt collection litigation laws and regulations to ensure debts entering the legal system are legitimate and defendants are able to fully participate in their cases.
- Solution 31. Reform bankruptcy laws to help filers successfully complete the process.
- Solution 86. Strengthen debtors' rights in financial transactions and debt repayment processes.
- Solution 87. Limit the role of secondary markets for defaulted debt.
- Solution 88. Provide public funding for legal aid services and attorney representation for LMI defendants in debt lawsuits.
- Solution 89. Reform court-ordered repayment plans and garnishment orders to ensure that judgments do not permanently damage people's financial security.
- Solution 90. Enable people to protect more of their assets in bankruptcy.

## | Asset-specific solutions

These solutions relate to specific assets, including public asset transfer programs, liquid and emergency savings, college degrees, homeownership, retirement savings, other personal financial investments, small business equity, and community assets. **Bold text** indicates that the solution was also mentioned in a previous category.

### Inclusive asset transfer programs

These are public policy solutions that would provide regular cash transfers to households designed to support asset-building.

- Solution 32. Create universal savings accounts for all children at birth.
- Solution 33. Transfer revenues generated by our national natural resources to households.
- Solution 34. Create a citizens' wealth fund.

### Liquid and emergency savings

These solutions would directly help people put money aside and replenish their short-term savings.

- Solution 35. Provide matches on short-term savings through employers and governments.
- Solution 49. Offer emergency savings tools in combination with retirement savings accounts.

### College degrees and student loans

These solutions would reduce what students pay for higher education; reduce students' need to borrow; and reduce the financial burden of repaying student loans.

#### Reduce what students pay for higher education:

- Solution 36. Increase federal and state funding for need-based grants to college students.
- Solution 39. Guarantee all students 2-4 years of low-cost or tuition-free public higher education through federal or state policies.
- Solution 40. Increase federal and state funding of public colleges and universities.
- Solution 41. Expand employer tuition assistance to more workers.

#### Reduce students' need to borrow:

- Solution 39. Guarantee all students 2-4 years of low-cost or tuition-free public higher education through federal or state policies.**
- Solution 42. Guarantee that federal student aid, including grants and work study funding, covers all of LMI students' demonstrated financial need.
- Solution 43. Supplement federal financial aid grants for LMI students.
- Solution 100. Guarantee that Black and Native college students can attend public institutions without taking out student loans.



## Reduce the financial burden of student loan repayment:

- Solution 20. Reform federal student loan Income-Driven Repayment plans.
- Solution 28. Offer student loan repayment as a workplace benefit.
- Solution 29. Cancel at least \$30,000 of federal student loan debt per borrower.
- Solution 60. Reform the structure and features of federal student loans.
- Solution 61. Reform the federal student loan servicing system to improve borrowers' outcomes and ensure that loan forgiveness programs work.
- Solution 83. Eliminate negative amortization of student loans.

## Housing and homeownership solutions

These solutions would ensure that all types of housing are plentiful and affordable to people with a wide range of incomes, LMI renters receive the support needed to maintain financial stability, and people can buy homes using affordable, high-quality mortgages.

- Solution 21. Give federal Housing Choice Vouchers to all eligible households and end source of income discrimination.
- Solution 22. Increase subsidies for affordable housing development, maintenance, and preservation.
- Solution 23. Eliminate barriers to increasing supply of private market rental units affordable to people of all income levels
- Solution 37. Scale up down payment assistance programs.
- Solution 44. Reform zoning requirements at the state or local level to diversify and expand the supply of housing.
- Solution 45. Increase the allocation of capital by institutional investors for the development of starter homes.
- Solution 46. Adopt universal design requirements for all new residential development.**
- Solution 47. Reduce barriers to factory-built housing.
- Solution 62. Scale up small-balance mortgage lending programs from mission-based lenders.
- Solution 63. Make FHA loans more effective wealth building products for low-income homebuyers.
- Solution 64. Reform home appraisal practices and policies to reduce racial disparities in home values and appreciation.
- Solution 65. Improve and expand housing finance investments within Native reservations and tribal lands.
- Solution 66. Scale up the community land trust model for homeownership.
- Solution 67. Scale up financing for other housing models with joint ownership of land and personal ownership of home structures.
- Solution 68. Increase private investments in firms that finance homes designed to be cooperatively owned, and improve consumer mortgages for these homebuyers.
- Solution 84. Reform property taxation regimes to prevent foreclosures of low-income homeowners.
- Solution 85. Support low-income homeowners' ability to maintain the quality and value of their homes over time.
- Solution 101. Implement large-scale first-time buyer programs designed for people of color and offer large amounts of down payment assistance to all participants.

## Retirement savings solutions

These solutions would ensure that everyone has access to, is enrolled in, and has the capacity to contribute meaningfully to retirement savings accounts.

- Solution 48. Require all employers to offer retirement savings accounts to workers with automatic enrollment, and provide employers with a no-cost plan option to minimize their cost and administrative burden.
- Solution 49. Offer emergency savings tools in combination with retirement savings accounts.**
- Solution 50. Make retirement savings accounts portable.
- Solution 91. Incentivize workers nearing retirement to delay claiming Social Security benefits.
- Solution 92. Incorporate annuities or annuitization strategies into retirement savings accounts.

## Personal finance and investment solutions

These solutions broadly relate to consumer investment options outside of retirement accounts, new types of investments, and emerging assets such as cryptocurrencies. It includes a set of recommendations to ensure that everyone has the knowledge and confidence needed to navigate investment decisions.

- Solution 51. Increase consumer access to assets built on blockchain technology, such as cryptocurrencies.
- Solution 52. Develop ways for consumers to leverage their digital data as an asset.
- Solution 74. Dedicate moderated online communities for peer learning about personal finance and investing.
- Solution 75. Create public websites and resources for individuals and service providers with plain language explanations of relevant topics, asset types, financing, and legal protections.
- Solution 76. Move federal and state regulators to establish standards and templates based on evidence about effective consumer disclosures.
- Solution 77. Integrate opportunities to learn about relevant issues at salient moments in the asset purchasing process.
- Solution 78. Scale up financial coaching programs delivered by certified coaches to support more LMI households.**
- Solution 79. Implement evidence-based, developmentally appropriate financial education and practical learning opportunities for youth.**
- Solution 80. Increase private investment in trusted, independent intermediaries that serve specific communities.**

## Small business equity solutions

These solutions would help entrepreneurs and established business owners access credit and use debt more effectively to build business equity.

- Solution 69. Implement credit-building programs designed to help low-wealth business owners access credit for their business.**
- Solution 70. Reform public lending programs and loan guarantee programs to prioritize making small business loans the private market will not, especially low-balance installment loans.
- Solution 71. Develop forgivable loans for low-wealth entrepreneurs and business owners.
- Solution 72. Scale up strategies for shared ownership of business equity.

## Community wealth solutions

These solutions would enable people - home buyers, workers, business owners, and neighbors - to build wealth together.

- Solution 67. Scale up financing for other housing models with joint ownership of land and personal ownership of home structures.**
- Solution 68. Increase private investments in firms that finance homes designed to be cooperatively owned, and improve consumer mortgages for these homebuyers.**
- Solution 72. Scale up strategies for shared ownership of business equity.**
- Solution 73. Create financing for community ownership of local assets.

## | Wealth protection solutions

These solutions would help people protect the wealth they have accumulated through innovation in insurance and prevention of asset stripping. **Bolded text** indicates the solution was also mentioned in a previous category.

- Solution 59. Limit the data that consumer reporting agencies can collect and how third parties can use both credit reports and scores.**
- Solution 59. Limit the data that consumer reporting agencies can collect and how third parties can use both credit reports and scores.
- Solution 82. Create public insurance options for assets that are critical to household wealth.
- Solution 84. Reform property taxation regimes to prevent foreclosures of low-income homeowners.**
- Solution 85. Support low-income homeowners' ability to maintain the quality and value of their homes over time.**
- Solution 93. Create long-term care insurance products and public systems that do not require older adults to liquidate their assets.
- Solution 94. Invest public and private resources in insurance innovations to safeguard their wealth against natural disasters and the impacts of climate change.

## | Racially reparative solutions

These solutions would directly address the unique United States history of legal, economic, and social efforts to harm, enslave, kill, and segregate Indigenous people and Black people. **Bolded text** indicates the solution was also mentioned in a previous category.

- Solution 95. Pay cash reparations to descendants of enslaved people.
- Solution 96. Pay cash reparations to Indigenous peoples including those native to Alaska, Hawaii, and US territories.
- Solution 97. Support tribal governments' efforts to reclaim ancestral lands.
- Solution 98. Solve for heirs' property and lands held in trust that individual owners cannot use as collateral or sell their interest in the asset.**
- Solution 99. Increase public and private investments in Native-led and Black-led financial institutions, asset-building organizations, and wealth-building initiatives.
- Solution 100. Guarantee that Black and Native college students can attend public institutions without taking out student loans.**
- Solution 101. Implement large-scale first-time buyer programs designed for people of color and offer large amounts of down payment assistance to all participants.**

## APPENDIX B

## Data Analysis

This appendix includes detailed breakdowns of households' assets and debts by quintile of net worth. It also includes analysis of the assets, debts, and net worth of households by racial and ethnic group and data on the 10.4% of households with negative net worth (the value of their debts is greater than the value of their assets).<sup>324</sup> All data presented here reflects Aspen FSP's analysis of Survey of Consumer Finances data. See **Appendix D**. Methodology for details.

**Table 1. Median Net Worth of Household Wealth in 1989, 2007 and 2019 (Thousands of 2019 Dollars)**

	PERCENTILE OF NET WORTH				
	Less than 20th	20th to 39.9th	40th to 59.9th	60th to 79.9th	80th to 100
<b>2019</b>	\$-0.50	\$23.9	\$121.76	\$315.31	\$1,219.50
<b>2007</b>	\$0.04	\$32.8	\$149.36	\$370.61	\$1,123.69
<b>1989</b>	\$0.00	\$20.7	\$93.58	\$232.71	\$731.60

## Household assets, debts, and net worth in 2019

**Table 2. Household Asset Holding Rates, by Percentile of Net Worth (2019)**

ASSET TYPE	PERCENTILE OF NET WORTH				
	Less than 20th	20th to 39.9th	40th to 59.9th	60th to 79.9th	80th to 100
<b>Transaction Accounts</b>	95.0%	97.7%	98.9%	99.2%	99.9%
<b>Securities</b>	7.5%	11.5%	18.6%	30.0%	69.2%
<b>Retirement Accounts</b>	20.0%	33.5%	51.3%	67.9%	85.2%
<b>Other Financial Assets</b>	12.2%	22.5%	31.1%	40.3%	61.5%
<b>Vehicles</b>	62.1%	89.1%	90.9%	92%	92.6%
<b>Primary Residence</b>	9%	34%	80.7%	90.9%	95.6%
<b>Other Property</b>	1.5%	5.3%	13.7%	22.6%	58.6%
<b>Business Equity</b>	1.4%	3.1%	8.3%	15.5%	31.3%
<b>Other Non-Financial Assets</b>	2.9%	4.1%	7.0%	8.0%	19.2%

**Table 3. Median Value of Household Assets, Conditional on Ownership, by Percentile of Net Worth (Thousands of 2019 Dollars)**

ASSET TYPE	PERCENTILE OF NET WORTH				
	Less than 20th	20th to 39.9th	40th to 59.9th	60th to 79.9th	80th to 100
Transaction Accounts	\$0.8	\$2.1	\$5	\$13.0	\$50.1
Securities	\$0.5	\$1.7	\$3	\$15	\$155
Retirement Accounts	\$4.9	\$12.5	\$34	\$84.3	\$404
Other Financial Assets	\$1.2	\$2.7	\$7.8	\$18.4	\$95
Vehicles	\$8.5	\$12	\$16.9	\$22	\$32.7
Primary Residence	\$170	\$90	\$151	\$245	\$450
Other Property	\$22	\$16	\$40	\$90	\$320
Business Equity	\$6	\$12.1	\$28.6	\$60	\$500
Other Non-Financial Assets	\$2	\$5.4	\$10	\$12	\$40

**Table 4. Household Debt Holding Rates, by Percentile of Net worth (2019)**

DEBT TYPE	PERCENTILE OF NET WORTH				
	Less than 20th	20th to 39.9th	40th to 59.9th	60th to 79.9th	80th to 100
Mortgage, Primary Residence	8.2%	22.6%	56.7%	61.5%	50.5%
Non-Primary Residence	0.7%	1.1%	3.0%	6.3%	16.8%
Credit Card Balances	45.0%	47.8%	55.9%	52.0%	21%
Vehicle Loans	32.0%	34.1%	45.1%	42.0%	25.5%
Education Loans	41.1%	19.1%	21.8%	17.1%	6.5%
All Other Debt	22.9%	17.8%	18.1%	14.5%	11.2%



**Table 5. Median Value of Household Debts, Conditional on Ownership, by Percentile of Net worth (2019)**

DEBT TYPE	PERCENTILES OF NET WORTH (BY THOUSANDS OF 2019 DOLLARS)				
	Less than 20th	20th to 39.9th	40th to 59.9th	60th to 79.9th	80th to 100
Mortgage, Primary Residence	\$150	\$114	\$110	\$127	\$213
Non-Primary Residence	\$25	\$42	\$40.5	\$97.4	\$177.3
Credit Card Balances	\$2	\$1.9	\$2.7	\$3.5	\$4.5
Vehicle Loans	\$11	\$11	\$13	\$15	\$17
Education Loans	\$34	\$15	\$18	\$16	\$21
All Other Debt	\$3.3	\$2.2	\$5	\$7.5	\$12

**Table 6. Percentage of Households Owning Business Equity, and Median Value, by Percentile of Net worth (2019)**

	PERCENTILE OF NET WORTH				
	Less than 20th	20th to 39.9th	40th to 59.9th	60th to 79.9th	80th to 100
Share of Households Holding Business Equity	1.4%	3.1%	8.3%	15.5%	31.3%
Median Value of Business Equity, if Held	\$6000	\$12,126	\$28,630	\$60,000	\$500,000

**Table 7. Median Wealth of Households with Business Equity Compared to Median Wealth of All Households, by Percentile of Net worth (Thousands of 2019 Dollars)**

	PERCENTILES OF NET WORTH				
	Less than 20th	20th to 39.9th	40th to 59.9th	60th to 79.9th	80th to 100
Households with Business Equity	-\$34.9	\$40.5	\$138.2	\$339.2	\$2,012.2
All Households	-\$0.50	\$23.9	\$121.8	\$315.3	\$1,219.5

**Table 8. Percentage of Households with Negative Net worth and Median Net Debts, by Percentile of Income (2019)**

	PERCENTILE OF INCOME				
	Less than 20th	20th to 39.9th	40th to 59.9th	60th to 79.9th	80th to 100
<b>Percentage of Households in Net Debt</b>	29.9%	29.8%	24.0%	13.8%	2.3%
<b>Median Net Worth of Households in Net Debt</b>	-\$8,900	-\$12,500	-\$20,900	-\$36,800	-\$31,900

### Households with negative net worth

**Table 9. Debt Holding Rates and Median Values among Households with Negative Net worth (2019)**

	Share of Households with Debt Type	Median Value (Thousands of 2019 Dollars)
<b>Student Loans</b>	71.9%	\$38.0
<b>Credit Card Balance</b>	64.5%	\$2.5
<b>Auto Loans</b>	45.1%	\$11.0
<b>Other Debt</b>	32.3%	\$5.6
<b>Primary Residence</b>	18.0%	\$152.0
<b>Other Property</b>	1.7%	\$25.0

## Racial and ethnic distribution of wealth

**Table 10. Percentage of Households Owning Different Types of Assets, by Racial and Ethnic Group (2019)**

ASSET TYPE	RACIAL AND ETHNIC GROUP			
	White	Black	Non-white Hispanic/Latino	Other and Multiracial
Transaction Accounts	98.8%	96.8%	95.5%	98.8%
Securities	31.2%	9.6%	8%	31.5%
Retirement Accounts	57.3%	35.1%	25.5%	52.7%
Other Financial Assets	36.8%	30.5%	12.4%	34.7%
Vehicles	89.3%	71.5%	84.5%	81.1%
Primary Residence	73.7%	45%	47.6%	54.2%
Other Property	19.6%	9.5%	11.4%	21.3%
Business Equity	16.5%	4.8%	7%	11.9%
Other Non-Financial Assets	9%	1.6%	3.3%	7%

**Table 11. Median Value of Household Assets, Conditional on Ownership, by Racial and Ethnic Group (Thousands of 2019 Dollars)**

ASSET TYPE	RACIAL AND ETHNIC GROUP			
	White	Black	Non-white Hispanic/Latino	Other and Multiracial
Transaction Accounts	\$8.2	\$1.5	\$2.0	\$5
Securities	\$25	\$10	\$5	\$50
Retirement Accounts	\$80	\$35	\$31	\$47
Other Financial Assets	\$20	\$5	\$5.5	\$17.9
Vehicles	\$19	\$12.2	\$16	\$15.9
Primary Residence	\$230	\$150	\$200	\$308
Other Property	\$143.5	\$56.8	\$111.5	\$180
Business Equity	\$99	\$70	\$52	\$92
Other Non-Financial Assets	\$15	\$10	\$10	\$5

**Table 12. Median Value of Household Debts, Conditional on Ownership, by Racial and Ethnic Group (Thousands of 2019 Dollars)**

TYPE OF DEBT	RACIAL AND ETHNIC GROUP			
	White	Black	Non-white Hispanic/Latino	Other and Multiracial
Mortgage, Primary Residence	\$138	\$118	\$131	\$178
Non-Primary Residence	\$110	\$60	\$215	\$140
Credit Card Balances	\$3.2	\$1.3	\$1.9	\$2.4
Vehicle Loans	\$14	\$11	\$14	\$14
Education Loans	\$23	\$30	\$17.6	\$19
All Other Debt	\$5.2	\$2.4	\$4	\$7.5

**Table 13. Debt Holding Rates by Racial and Ethnic Group (2019)**

TYPE OF DEBT	RACIAL AND ETHNIC GROUP			
	White	Black	Non-white Hispanic/Latino	Other and Multiracial
Mortgage, Primary Residence	44.4%	27.3%	32%	37.6%
Non-Primary Residence	5.5%	2.9%	2.9%	4.1%
Credit Card Balances	44.5%	47.7%	49.9%	43.7%
Vehicle Loans	37.4%	33.8%	40.1%	35%
Education Loans	20%	30.2%	14.3%	24.3%
All Other Debt	15.8%	16.1%	18.7%	17.4%

## APPENDIX C

# Glossary

**Household wealth**, also known as “net worth,” is the value of assets owned by a family minus outstanding debt.

**Routinely positive cash flow** is when income exceeds a household’s typical expenses is received on a regular, predictable basis. This type of cash flow allows families and individuals to maintain financial stability and build long-term savings.

**Low- and moderate-income (LMI)** describes people or households whose income is low enough for them to face difficulty making payments, be vulnerable to economic shocks, and have less money to set aside for savings. LMI people or households are often the intended beneficiaries of means-tested policies and programs.

**Business equity** is the total value of a business or businesses in which a household has either an active or inactive interest. It is calculated by the Survey of Consumer Finances by adding active business value (net equity if business were sold today, plus loans from the household to the business, minus loans from the business to the household not previously reported in the survey, plus the value of personal assets used as collateral for business loans) and the market value of a non-active business.<sup>325</sup>

An **investor identity** describes one’s confidence to pursue investing goals and a sense of belonging in the investment space developed through knowledge, experience, support, and access to financial resources.<sup>326</sup>

**Reparative** approaches to solutions are those that correct for the wealth-stripping effects of racial discrimination by directly engaging with a specific racist policy or practice, attempting to repair harms done through that policy or practice, and providing meaningful restitution.

The following section includes examples of the types of assets discussed in the analysis of household wealth in Section 1.

### Financial assets

- **Transaction accounts** include checking, savings, and money market accounts, as well as prepaid debit cards.
- **Retirement accounts** include individual retirement accounts and certain employer sponsored accounts—such as 401(k), 403(b), and thrift savings accounts.
- **Other financial assets** include certificates of deposit (CDs), the cash value of life insurance, personal annuities, and trusts.
- **Securities** include directly held pooled investment funds, savings bonds, and directly held stocks and bonds.
- **Business equity** includes net worth in sole proprietorships, limited partnerships, limited liability companies, and other types of partnerships and private businesses.



## Non-financial assets

- **Vehicles** include cars, trucks, vans, motorcycles, motor homes, and boats.
- **Primary residences** include condominiums, cooperatives, townhouses, other single-family homes, and mobile homes and their sites. It also includes the portions of ranches and farms not used for ranching or farming.
- **Other property** includes second homes, timeshares, and other types of residential and non-residential properties.

## APPENDIX D

# Methodology

The solutions in this report were sourced through three channels: 1) Prior research and publications from the Aspen Institute’s Financial Security Program (FSP), 2) a landscape review of innovative and research-backed policy proposals, and 3) suggestions from FSP colleagues and external experts with whom we consulted.

FSP publications we drew from included: “Strong Foundations: Housing Security Solutions Framework,”<sup>327</sup> “Lifting the Weight: Solving the Consumer Debt Crisis for Families, Communities & Future Generations,”<sup>328</sup> “Student Loan Cancellation: Assessing Strategies to Boost Financial Security and Economic Growth,”<sup>329</sup> “Re-Imagining Retirement Amid New Uncertainty,”<sup>330</sup> “Guaranteed Income and Other Cash Infusions,”<sup>331</sup> “The Complete Financial Lives of Workers,”<sup>332</sup> and “A Financial Security Threat in the Courtroom,”<sup>333</sup> among others. The report also drew heavily from solutions featured in a recent book published by Aspen FSP and the St. Louis Federal Reserve, *The Future of Building Wealth: Brief Essays on the Best Ideas to Build Wealth—For Everyone*.<sup>334</sup> These reports explore how people build wealth, what they need to be successful, and what barriers prevent them from doing so, while identifying some solutions.

To add to the solutions that Aspen FSP had previously surfaced, we conducted a literature review and consulted experts. The literature review included articles from multiple academic disciplines, ranging from economics to political science, law, and sociology. We also consulted public sector and private sector reports and resources.

We are thankful to all the experts we consulted in developing this report. They include:

- Marla Blow, Skoll Foundation
- Dyvonne Body, Federal Reserve Bank of New York
- Robin Brulé, Filene Institute
- Christy Finsel, Oklahoma Native Assets Coalition
- Dawson Her Many Horses, Wells Fargo
- Joyce Klein, Aspen Institute
- Jud Murchie, Wells Fargo
- Jerry Nemorin, LendStreet
- Solana Rice, Liberation in a Generation
- Sarah Sattelmeyer, AARP
- Jenny Schuetz, Brookings Institution
- Louise Seamster, University of Iowa
- Dominique Derbingy Sims, Georgia Budget and Policy Institute
- Gosia Tomaszewska, Commonwealth
- Fred Wherry, Princeton University

Once solutions were identified, they were evaluated against four assessment criteria. These include four conditions that assessed a solution’s:

1. Ability to help low-wealth households build wealth,

2. Ability to scale,
3. Evidence base indicating that the solution works, and
4. Applicability to the known barriers to building wealth.

For each condition, a score between 0-2 was given depending on the solution's strength in that category. The totals of these scores were then calculated for each solution. Solutions with a total score of six or higher were included for consideration in the final report. Following the scoring process, the solutions were reviewed by FSP experts who provided feedback that ultimately led to the addition of new solutions and existing solutions being modified and narrowed down for the final report.

The data analysis featured in Section 1 of this report combined original data analysis with survey results from existing publications and resources. To calculate figures that were not included in published data, an analysis of 2019 Survey of Consumer Finances (SCF) data was conducted using the R programming language. These figures included weighted asset and debt ownership levels and median values by net worth deciles and quintiles. For simplicity, some assets and debts were combined into new categories using the SCF's net worth flowchart.<sup>335</sup> The combined asset categories include securities (directly held pooled investment funds, savings bonds, directly held stocks and directly held bonds), other financial assets (certificates of deposit, cash value of whole life insurance, other managed assets, and other miscellaneous financial assets), and other property (residential property excluding primary residence and net equity in non-residential real estate). The only combined debt category - other debt - includes other lines of credit, other installment debt, and other debt (such as loans against pensions or life insurance and margin loans). The code that generated FSP's own estimates of negative net worth is available here: [aspensfp/negative-net-worth \(github.com\)](https://github.com/aspensfp/negative-net-worth). The code for estimates by net worth quintile is available here: [aspensfp/wealth-quintiles \(github.com\)](https://github.com/aspensfp/wealth-quintiles).

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