

THE NEW WEALTH AGENDA

A BLUEPRINT FOR BUILDING A FUTURE OF INCLUSIVE WEALTH



**FINANCIAL
SECURITY
PROGRAM**
aspen institute

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| ABOUT THE ASPEN INSTITUTE FINANCIAL SECURITY PROGRAM

The mission of the Aspen Institute Financial Security Program (Aspen FSP) 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 financial 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, join our mailing list at <http://bit.ly/fspnewsletter>, and follow [@AspenFSP](https://twitter.com/AspenFSP) on Twitter.

Introduction

Widespread Financial Insecurity Requires a Coordinated Response

Widespread household financial insecurity is an undeniably urgent crisis in the United States today. **A stunning 51 percent of U.S. households have expenses that are equal to or greater than their income, and 55 percent lack the necessary savings to weather a simultaneous income drop and expense spike¹—a brutal one-two punch that hit millions of Americans during the COVID-19 pandemic.** Such financial precarity represents real systemic risk to our nation’s well-being as increasing numbers of people battle food insecurity, increased risk of health problems, and housing instability, among other harmful outcomes. But there are other, less visible but equally concerning implications, such as large-scale disenfranchisement and disillusionment that can undermine the very foundations of our democracy, and entrenched inequality that can put an end to the American legacy of intergenerational mobility.

Traditionally, when faced with such a pervasive and potentially destabilizing threat to household well-being, the country reacts with force and determination, as we did in 2020 when confronted by a global pandemic. Yet our national response to the clear threats of widespread financial insecurity has been tepid and we have not enacted a modern New Deal-type package of reforms. Neither have we followed in the footsteps of the climate change community, which, faced with the alarming threat of a rapidly warming planet, has coalesced around a shared set of priorities known as Net Zero. Through Net Zero, climate activists have garnered the tools necessary to address crises of this magnitude—developing a common language for talking about the work, defining success in concrete and measurable ways, and forming a vast and varied network of actors from the public, nonprofit, and private sectors who are able to carve out a role for themselves in the work. Net Zero provides a platform to brainstorm, innovate, and ultimately craft solutions that are sufficiently powerful and robust to address such overwhelming challenges.

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These are the tools that we must build to tackle the financial precarity engulfing millions of U.S. households, and the same sort of baseline parameters that we must put in place if we want to reduce wealth disparities and ensure widespread household financial security, resiliency, and mobility. But tools are not enough; we must also become more ambitious in the scope and scale of our thinking. In the same way that the community of climate activists has set its sights on the audacious goal of zeroing out human-produced greenhouse gas emissions, so must we grant ourselves permission to ignore any sense of intimidation or disbelief. We must grow—exponentially and without inhibition—our vision, objectives, and benchmarks of success for the financial foundations of individual and national well-being in America.

Starting with our financial security sector, but quickly going beyond to a diverse community of invested stakeholders, we must come together to create a shared goal that elevates the urgency of the crisis, galvanizes more people to act, and produces tangible, measurable, and meaningful improvements in financial security at scale and at the household level. We need a north star to guide the United States to a future with more equitable and more numerous wealth-building opportunities for individual households—a goal that can deliver a future in which everyone has enough wealth to maintain financial stability, to be resilient, to invest in their family’s well-being, and to participate fully in society, the economy, and our democracy.

A North Star for the Future of Wealth

We propose this as a shared goal worthy of our collective investment: By 2050, we must increase by ten-fold the wealth of households of color and those in the bottom half of the wealth distribution in the United States.

This is ambitious—and we hope even audacious—but our reasons for selecting such a goal are grounded in years of Aspen FSP’s work and the insights we have gained. We chose the year 2050 as the target date because the challenges of household financial insecurity are intergenerational, and because bringing transformational solutions to scale and beginning to reap the benefits as a society will take a generation. And while we need enough time to realize success, we also can’t afford to wait. Today, typical households in the bottom 80 percent of the wealth distribution possess less wealth than they did before the Great Recession² and more than 12 percent of households have negative net worth.³ Equally alarming are the racial disparities. White households own 86.8 percent of the nation’s overall wealth, as compared to Black and Hispanic households, who have only 2.9 percent and 2.8 percent respectively.⁴ And we are trending in the wrong direction.

We chose to focus on wealth—increasing ten-fold the net worth of households in the less wealthy half of the population—because wealth is the durable piece of prosperity we can best measure to track improvements in household balance sheets.

Currently, the overall U.S. median household wealth is \$122,000, almost exactly 10 times that of the \$12,500 median household wealth for the bottom half of the wealth distribution. Historically, the bottom half of the wealth distribution owns less than 2 percent of the total share of household wealth. Though this massive increase in the median wealth of households in the bottom half of the wealth distribution will not entirely erase wealth disparities, such progress would absolutely and materially improve the lives of millions of Black, Latino, Native American, Asian, Pacific Islander, and other people of color—as well as lower-wealth white households, who comprise over half of the bottom 50 percent of the wealth distribution. A ten-fold increase would establish household financial security—and a positive household balance sheet for life—as the new reality for most people living in the United States.

Introducing A New Wealth Agenda

We came to this goal after thorough analysis of work by scholars and practitioners around the country, as well as our own research. We have studied the barriers to sustainable household wealth, as well as historic trends that have made it systematically harder for the majority of the U.S. population to build the wealth they need to thrive. To support the many leaders across sectors who share our goal of widespread household financial security, we have identified eight objectives that we believe provide the most effective and most promising path towards our transformative goal. We believe that these eight objectives constitute a New Wealth Agenda.

One of the problems of solving for wealth is that it creates a search for one specific lever or one innovation that will deliver meaningful change. But that chase is futile. Instead, we must invest in the interaction of solutions across systems and sectors—and that is what gives us hope for 2050. We already have a set of proven solutions and a suite of innovations that build on what has worked, and with focused discipline, scale, ambition, and political will, they will combine to build wealth inclusively in the U.S.

These eight objectives are the focus of this report. In the following pages, we focus on them individually, identifying solution strategies with high potential for impact, scale, and capacity to close racial wealth gaps. In identifying the eight, we used the ten-fold “north star” goal to assess the myriad solutions Aspen FSP has worked on, been introduced to, and written about elsewhere, distilling them into a list that shows the strongest potential to drive inclusive wealth creation at scale.

We intend this report to be a catalyst for the ambitious work to come—work that requires us to think bigger and act with more urgency and more creativity. We offer these ideas to our colleagues and peers, to the innovators and out-of-the-box thinkers, and to anyone else who cares about the well-being of our nation.



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This document is an invitation, a thrown gauntlet, and perhaps even a plea. Please join us by digging into this paper, bringing your expertise and creativity to sharpen this new wealth agenda with additional strategies, approaches, and ambitious goals—and committing your leadership to get us all further, faster.

Aspen FSP’s Road to The New Wealth Agenda

In Aspen FSP’s report, **“The State of Financial Security 2020,”** we identified the urgent need for a new wealth agenda in the United States, one grounded in the perspective that “the ultimate goal of the financial security field is not to help families merely better manage scarcity, but to truly create conditions of security and well-being that will enable full participation, agency, and dignity—not just in our economy, but in our democracy.”

Over the past three years, we have taken great steps to advance that goal. We have engaged and partnered with leaders in business, finance, policy, philanthropy, academia, nonprofits, and low-income communities to understand their perspectives about peoples’ challenges, what was—and was not—working in wealth building, and what could make meaningful change. We also conducted wide-ranging research, analyzed federal survey data, and fielded our own surveys.

Key publications that share our learnings include:

“The Future of Building Wealth: Brief Essays on the Best Ideas to Build Wealth—for Everyone” (2021). A collaboration between Aspen FSP and the Federal Reserve Bank of St. Louis, this book is a collection of 63 essays describing the most thought-provoking ideas to build wealth in the United States.

“Foundations of a New Wealth Agenda”

(2021). This report explains why having wealth matters so much for all families, documents the barriers to building wealth that constrain millions of U.S. households, and highlights the need for solutions that can help households with low net worth—especially families of color—overcome those barriers.

“Disparities in Debt: Why Debt is a Driver of the Racial Wealth Gap”

(2022). This brief explores the differences in credit and debt profiles between racial and ethnic groups and illustrates how these disparities have a profound impact on racial wealth gaps.

“101 Solutions for Inclusive Wealth Building”

(2022). This report makes the case that it is immediately imperative to put the majority of U.S. households on a better wealth trajectory—and that doing so is possible—by documenting 101 existing and proposed solutions.

To read these publications and learn more about our related work, please visit futureofwealth.org.

The New Wealth Agenda

The vision of Aspen FSP's New Wealth Agenda is a future in which everyone has enough wealth to maintain financial stability and resilience, to invest in their family's well-being, and to participate fully in society, the economy, and our democracy. We can create that future by 2050 by achieving a ten-fold increase in the wealth of households of color and the bottom 50 percent of the population by net worth.

The eight objectives we have developed can achieve that level of impact. They point the way to wise investments in overlapping solutions from across systems and sectors, and will put the U.S. on a trajectory to widespread financial security. They are based on recognition of the barriers to wealth building,⁵ implementation of proven strategies to eliminate those barriers,⁶ and assessments of which solutions could contribute the most toward achieving our north star. They represent a future in which none are excluded from opportunities to build wealth and attain financial security. In the journey to meet these objectives, wealth will need to grow for two core groups that have been systematically excluded from wealth-building opportunities for decades or centuries: households in the bottom half of the wealth distribution and people of color.

The first two of our eight objectives would ensure that everyone has financial stability and can build up savings—necessary preconditions for building sustainable wealth.



OBJECTIVE #1

Financial Stability and Resilience

All households earn enough in income and benefits to have routinely positive cash flow, which allows them to pay for core expenses, prepare for emergencies, be financially resilient, build savings, and amass investable sums of money.



OBJECTIVE #2

Debt Resolution

Households are rarely burdened by debts that undermine their financial stability and well-being—medical debt and student loan debt in particular. Borrowers who struggle to repay debts are successfully able to resolve those debts or otherwise have them removed without permanent damage to their ability to build wealth.

Objectives 3-6 represent opportunities to build on tried-and-true wealth-building strategies by making them available to and effective for everyone—while narrowing racial wealth gaps.



OBJECTIVE #3

Startup Capital for Life

All young adults have financial assets in the tens of thousands of dollars that can serve as a foundation for lifelong saving and investing, and be used to invest in a variety of wealth-building endeavors.



OBJECTIVE #4

Wealth-Building Career Pathways

Everyone has the opportunity to receive career- and wage-boosting post-secondary education and training without incurring burdensome debt.



OBJECTIVE #5

Equitable Homeownership

Regardless of their race or ethnicity, gender, health or disability, every renter who wants to buy a home will have real opportunities to do so; borrowers will be equally able to secure affordable mortgages; and homeowners will be able to sustain homeownership and comparably able to accrue home equity and wealth.



OBJECTIVE #6

Retirement Security

Everyone, regardless of employment arrangement, has funded and user-friendly retirement accounts that can meet their goals in retirement and allow them to pass down wealth to their families and communities.

Objectives 7-8 relate to areas where emerging innovations have the potential to help build and protect the wealth of households of color and low-wealth households.



OBJECTIVE #7

Shared Ownership

Most households own multiple, diverse wealth-building assets, enabled by innovative shared ownership strategies in a variety of sectors including small business and real estate.



OBJECTIVE #8

De-Risking Investments and Protecting Assets

People commonly use products, services, and policies that protect their assets from risks such as market volatility, economic crisis, and climate change.

For objectives 1-6, we identify in this report:

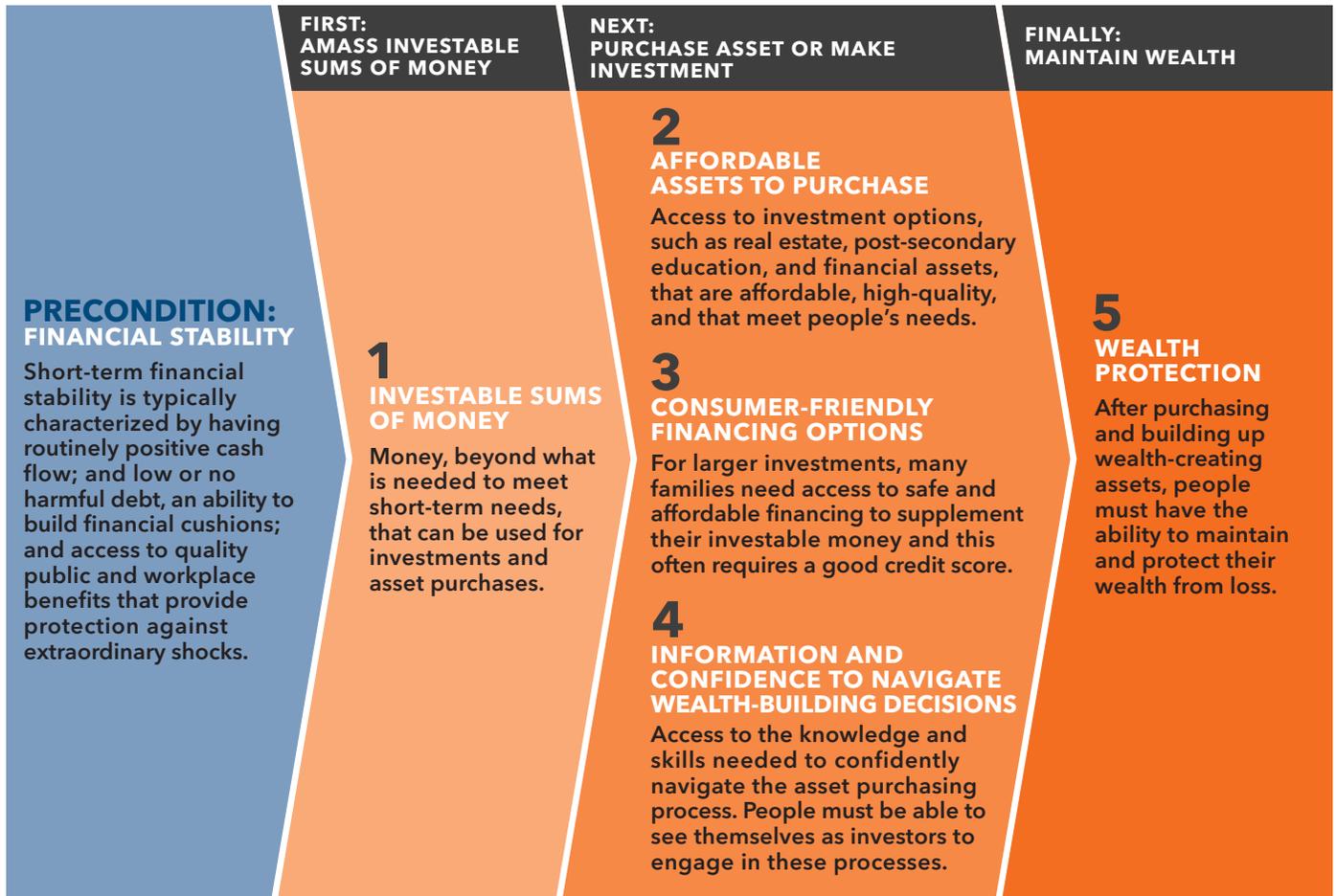
- **Indicators** that can be used to track progress toward achieving the objective. Each indicator highlights a facet of households' or individuals' financial lives that is relevant to the objective, describes the current situation, and identifies whether solutions should maximize or minimize that metric.
- **High impact solutions** that would make significant contributions toward making progress on the identified indicators. These are curated sets of evidence-based strategies, rather than comprehensive lists.
- **Brief assessments of solutions' impact** on the bottom 50 percent of the wealth distribution and households of color—our two priority populations. These assessments convey the potential for high impact based on existing evidence and applicability to a major problem. Though actual impact will depend on factors that may not have been accounted for in existing research—such as product or program design, implementation, funding, and other factors—our aim is to articulate, using data and research, why the solutions we have included in this report will be important for achieving the objectives.

As less fully developed areas of innovation, objectives 7-8 document promising approaches and emerging best practices. They do not include indicators or impact assessments.

Across all eight objectives, our analysis is rooted in Aspen FSPs proven framework for successful wealth building⁷, which identifies the conditions that people need at every phase of the process, from achieving financial stability to protecting hard-earned wealth.

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.





OBJECTIVE 1

Financial Stability and Resilience

By 2050, all households will earn enough in income and benefits to have routinely positive cash flow, which allows them to meet immediate needs, be prepared for emergencies, and amass investable sums of money.

The root of long-term financial security lies in short-term financial stability, which is characterized by routinely positive cash flow of income that exceeds expenses, no or low harmful debt that creates the ability to build up financial cushions, and access to quality public and workplace benefits that provide protection against extraordinary shocks.⁸

Experts agree that barriers to financial stability are the most significant challenges to wealth building.

In June 2022, Aspen FSP surveyed more than 80 leaders with collective expertise in all dimensions of financial security about the most important barriers to wealth building and best potential solutions.⁹ They identified three challenges as the most significant for low-wealth households.

89% of Experts Selected:



About half of households lack routinely positive cash flow

75% of Experts Selected:



About 40% of households do not have the liquid savings needed to maintain financial stability

73% of Experts Selected:



Housing costs are so high that half of renters are cost-burdened, and most renters cannot amass down payments

Currently, only about half of all U.S. households—and a much smaller fraction among lower wealth and households of color—have the foundation of financial stability, making financial stability and resilience a first order priority in a new wealth agenda.

No household can amass savings toward the purchase of wealth-building assets without having enough income to afford essentials. Saving has become systematically more difficult for most households over the past 40 years; since 1980, income has grown far more slowly for the bottom half of earners than the top half.¹⁰ In that time, households have borne large cost increases in higher education, caregiving, healthcare, and rent, squeezing lower-income and lower-wealth households' budgets.¹¹

Leaders in every sector can help achieve this objective through actions that maximize these indicators of financial stability:

- **The proportion of households with routinely positive cash flow—when spending is less than income.** This shows the extent to which households can save based on their current income and expenses.¹²
- **The proportion of households who have at least six weeks' worth of income in liquid savings.** The JPMorgan Chase Institute identified this as the threshold at which a household can withstand simultaneous income and expense shocks.¹³

National surveys show that today, roughly half of households are financially stable according to these indicators. The picture is worse for households in the bottom half of the wealth distribution and Black and Hispanic/Latino households, which are disproportionately affected by high expenses compared to income, and as a result have inadequate liquid savings.

In our January 2023 survey of 763 low- to moderate-income users of the savings app SaverLife, 47 percent of respondents said that having income that was often less than their expenses was a major problem in their lives.¹⁴

Table 1. Indicators of Household Financial Stability and Resilience

Population	Households whose spending is less than income, 2022	Households with 6 weeks of income in liquid savings, 2019
TOTAL	49%	45.2%
Bottom 50% by wealth	45.9% (2019)	24.3%
Top 50% by wealth	71.2% (2019)	66%
White	52.6%	51.3%
Black	40.2%	27.4%
Hispanic/Latino	39.2%	28.8%
Other	52.3%	52.3%

Sources: Aspen FSP analysis of data from the Survey of Household Economics and Decisionmaking (2022) and the Survey of Consumer Finances (2019). See endnote for details.¹⁵

Disabled People and Their Families Struggle With Income, Expenses, and Saving.

The solutions in this section would significantly help people with disabilities and the people they live with, who as a group experience high levels of financial instability. There is a large body of research documenting this among households that receive Social Security Disability Insurance (SSDI) benefits and Supplemental Security Income (SSI) because the Internal Revenue Service provides the anonymized data to trusted partners.¹⁶ However, less than 3 percent of the nation’s 334 million people receive SSDI¹⁷ even though more than 20 percent of the U.S. population has a disability.¹⁸

Most disabled people—those whose health or a condition such as blindness or deafness regularly prevents them from engaging in “activities of daily living” such as showering, walking, preparing food, and driving¹⁹—also report persistent financial challenges, but research is not robust.²⁰ More than half of disabled people had some form of earned income, but one in five disabled workers find it “very difficult” to pay their expenses and bills.²¹

In 2023, Aspen FSP conducted a survey with the nonprofit financial technology firm SaverLife of 763 of their members;²² about 40 percent of respondents had a disability or lived in a household with someone disabled.

Disabled survey respondents—all of whom were actively trying to save money—had just \$137 in liquid savings on average. More than 60 percent had less than \$500 among savings accounts, checking accounts, and liquid investments such as funds in money market accounts. Their median income was \$24,000—20 percent below that of all respondents (\$30,000).

The three financial challenges that they most often described as “major” were:

- Having income that was less than expenses (55%);
- Spending more than 30 percent of income on housing costs (58%); and
- Not having enough saved for retirement (59%).

High Impact Solutions

Positive cash flow has two components: income and expenses. The evidence-based solutions in this section therefore have high potential to increase workers' labor income, increase households' regular streams of non-labor income, and reduce core expenses for low-wealth households and people of color. This would, in turn, improve their ability to achieve routinely positive cash flow and build liquid savings. While the impact of these solutions will depend on how they are designed, if implemented at scale they would have transformative impacts on workers' financial stability, creating a stable foundation for wealth building.

Because workplace and public benefits—as well as enabling environments and tools for liquid saving—are critical for household financial stability and resilience, these systems and solutions are also described in this section.

Three solutions to increase workers' labor income:

1 Increase the federal minimum wage to \$15 per hour. Minimum wages across the United States are too low to cover the cost of living without support from public benefits and tax credits.²³ The federal minimum wage (\$7.25 per hour since 2009) is far below the leading estimate of a living wage, \$24.16 per hour for a family of four.²⁴ Its value erodes each year because it is not indexed to inflation, a situation also true of sub-minimum wages paid to tipped employees and certain disabled workers. Increasing the minimum wage may bring reduced employment, but most studies conclude that a large majority of affected people would keep their jobs and average income would rise.²⁵ The federal minimum wage must be raised to \$15 and indexed to inflation. It is also appropriate for high-cost states to have higher minimum wages.

IMPACT Research has found that raising the federal minimum wage to \$15 could result in a \$3,700-\$4,200 increase in average net income for a third of all workers.²⁶ The range increases by hundreds of dollars for Black, Hispanic, and AAPI people.²⁷ Another study found that minimum wage increases have reduced the Black-white wage gap by 10 percent.²⁸

2 Support labor organizing and worker power. Organized workers can influence the amount and quality of their wages and benefits through strategies including the union bargaining process, sectoral bargaining, statewide wage boards, prevailing wage laws, and other collective actions such as strikes and boycotts.²⁹ California and New York are currently experimenting with sectoral bargaining, while organizations and firms are advocating for sector-wide standards in care work.³⁰

IMPACT Historically, unionization has improved worker wages by between 10 percent and 20 percent,³¹ suggesting that allowing more labor organizing across the economy could grow income significantly for the tens of millions of workers who would vote to join a union.³² A recent analysis of federal survey data found that unionized Black and Hispanic workers see higher than average wage gains—13 percent and 19 percent, respectively.³³ When union density in an area or industry is high, non-union workers also see financial benefits, as collective bargaining increases industry pay standards.³⁴

3 Promote competition in the labor market. When there are fewer hiring companies in a region, firms have leverage to set wages below the value of workers' labor. A recent review of studies found that, over the past 40 years, reduced labor market competition has lowered worker wages by 15 percent to 25 percent.³⁵ Government can act by banning anti-competitive hiring practices such as “no poach” agreements and “non-compete” clauses, and by requiring regulators to assess mergers according to their impact on industry wages as well as consumer prices.³⁶

IMPACT As reduced labor market competition has suppressed wages by about 15 percent to 25 percent, implementing this solution could increase wages by a similar proportion for workers in markets with relatively few hiring firms. And because anti-competitive hiring practices can reinforce labor market discrimination, research has found that improving labor market competition by banning non-compete agreements would reduce wage gaps between white workers and workers of color.³⁷

Workplace and Public Benefits Are Critical to Households' Financial Stability and Resilience.

Everyone needs access to high-quality benefits, whether they are employer-based or public programs. Benefits help people boost their incomes and control their costs, protect them from financial shocks that are too large to self-insure, and help people build wealth. Aspen FSP's Benefits21 initiative focuses on opportunities to modernize and integrate benefits systems according to four principles: inclusiveness, portability, people-centricity, and interoperability.

Benefits-related solutions appear throughout the New Wealth Agenda.

Healthcare benefits—including insurance, paid sick time, and long-term services and supports—are critical to people's well-being and important for sustainable wealth building. Related solutions appear in Objective 1 and Objective 2.

Dependent care benefits relate to paid leave, childcare, services for disabled people, and elder care. Related solutions appear in Objective 1 and Objective 2.

Education benefits such as need-based financial aid grants and employers' tuition assistance programs make higher education possible for millions of people each year, but at their current scale they are generally insufficient for truly inclusive wealth building. Related solutions appear in Objective 2, Objective 3, and Objective 4.

Housing benefits are rare and do not reach most people in need. These are generally public benefits such as public housing, housing vouchers, energy and utility assistance, and down payment grants. Related solutions appear in Objective 5 and Objective 7.

Retirement benefits are necessary for most people to have a secure retirement. They include employer-sponsored retirement plans, public account platforms, and Social Security Old Age, Survivors, and Disability Insurance payments. Related solutions appear in Objective 6 and Objective 8.

Other benefits are not addressed in depth in this report, but we recognize that there are essential tools that could do much more to support people's well-being if they were modernized and easier to access. These include Social Security Disability Insurance and Supplemental Security Income, Unemployment Insurance, nutrition assistance programs, cash transfer programs, and others. Read more at <https://www.aspeninstitute.org/programs/financial-security-program/benefits21>.



One solution to increase households' non-labor income:

1 Provide guaranteed income to ensure all households have a steady, predictable, and unrestricted source of income through cash transfers. In the past decade, dozens of pilot programs have provided guaranteed income to low-income people and families, with consistent findings that even small amounts of regular cash transfers lead to significant improvements in financial stability.³⁸ A public guaranteed income—which could be universally available or limited by criteria such as low income, disability, or dependents—could drastically reduce poverty and enable people to accumulate savings.³⁹ Guaranteed income should always be implemented as a supplement to existing safety net and social insurance benefits, not as a replacement.

A federal guaranteed income could take multiple forms, such as regular cash transfers, dividends payments from a sovereign wealth fund, additions to existing benefits such as Social Security's old age and disability insurance programs, or monthly disbursement of refundable tax credits such as the Earned Income Tax Credit. The impact of guaranteed income programs depends on program design, location, target population, and amount of money invested.⁴⁰

IMPACT Researchers have documented increases in participants' income ranging from 9 percent to 22 percent.⁴¹ Alaska's Permanent Fund Dividend, which distributes a share of the state's oil revenues to Alaska residents, has been shown to reduce poverty in the state by 25 percent.⁴² The temporary Advance Child Tax Credit (ACTC) lifted 5.3 million people above the poverty line⁴³ and reduced child poverty by over 40 percent in a single year.⁴⁴ The ACTC had the greatest impact on Black and Latino recipients—reducing their poverty rates by 6.2 and 6.9 percentage points, respectively—higher than the 3.6 percentage point reduction for white recipients.⁴⁵ While guaranteed income may not necessarily increase employment,⁴⁶ it has been shown to enable parents, especially mothers of color, to work and earn more.⁴⁷

Many solutions to reduce households' core expenses: For many households, life's necessities are difficult or impossible to pay for. Here, we focus on reducing the costs of dependent and family care. Subsequent objectives include solutions that would reduce core expenses related to housing (Objective 5, [page 23](#)), healthcare (Objective 2, [page 13](#)), and higher education (Objectives 4 and 5, [pages 19](#) and [23](#)).

1 Reduce the costs of dependent and family care. Providing dependent care for children and adults imposes a large drain on the budgets of tens of millions of people in the U.S.⁴⁸ Child care services cost over 10 percent of median income for married parents,⁴⁹ and 26 percent of average income for individuals providing unpaid care for an adult.⁵⁰ Three strategies would make a large difference in allowing families to cover the costs of care without compromising their financial stability: 1) subsidizing the caregiving industry, including child care and long-term services and supports, to increase the supply of caregiving services so that caregivers have the time to work,⁵¹ 2) providing subsidies directly to families, and 3) implementing federal paid family leave.⁵²

IMPACT Because everyone needs or provides care at some point in their life, these strategies would ultimately impact all households. Research has shown that government subsidies that make child care centers more accessible can increase maternal employment by anywhere from 4 to 19 percentage points, with the largest effects on those with less education and who were previously unemployed.⁵³ A 2018 survey also showed that Black and Hispanic mothers are more likely than white mothers to look for higher paying jobs if they have better access to child care.⁵⁴ Another study shows that a government subsidy going directly to families could lead to a 0.25 percent to 11 percent increase in maternal employment with a 10 percent reduction in child care costs.⁵⁵ Subsidy recipients have been shown to save hundreds of dollars a week on child care costs,⁵⁶ and multiple studies have found that different types of guaranteed income programs and paid family leave contribute to higher labor force participation and higher income among women,⁵⁷ which leads to higher lifetime earnings.

Leaders in the Public and Private Sectors Can Help People Build Savings, Reach Their Liquidity Needs, and Amass Investable Sums of Money.

Households need six weeks of their typical income in liquid savings to weather simultaneous or back-to-back income and expense shocks. That can feel out of reach for people who struggle to make ends meet, many of whom are active savers who simply cannot build a cushion of this size.⁵⁸ Millions of people need additional tools and services to grow their savings to this minimal level.

There are two main barriers to saving: not having routinely positive cash flow and not having the tools to easily and regularly convert net income into savings.⁵⁹ These barriers deeply affect the bottom half of households by wealth, of whom just 24 percent have six weeks of income in savings. Likewise, only 27 percent of Black households and 29 percent of Hispanic or Latino households have that amount—regardless of net worth.

Employers and leaders in financial services, philanthropy and nonprofit services, and public policy can advance a variety of solutions to the second barrier⁶⁰ by helping people turn the amount they can save into the amount of liquid savings they need. The solutions that can do the most for households in the bottom half of the population by wealth and households of color include:

- **Remove or reform asset limits and benefit cliffs from social safety net benefits,** especially Social Security Disability Insurance, Supplemental Security Income, and housing assistance programs. Many programs have asset limits and benefit cliffs, but the problem is extreme for disabled people. The SSDI asset limit is just \$2,000 (\$3,000 for married couples) and the income cliff discourages work. Housing assistance recipients are extremely low-income, but the program discourages earning more. Solutions should remove disincentives and match savings; the Department of Housing and Urban Development's Family Self-Sufficiency program is proven effective and can be brought to scale with more funding.⁶¹

- **Offer automatic enrollment into matched, short-term savings accounts through employers and public platforms.** These accounts would allow people to grow their liquid savings through regular, automatic, and matched contributions.⁶² Allowing employers to automatically enroll workers into short-term savings accounts as a workplace benefit that withholds a portion of employees' paychecks for contributions would bring this to scale.
- **Help workers build liquid emergency savings alongside retirement savings through integrated products.** In the private and public sectors, employers and retirement plan providers can integrate short-term savings accounts into existing retirement plans. These products should also be available through other platforms to reach those who lack access through the workplace.⁶³ This strategy is especially important for lower-wealth and lower-income households.⁶⁴





OBJECTIVE 2

Debt Resolution

By 2050, households will rarely be burdened by debts that undermine their financial stability and well-being—medical debt and student loan debt, in particular. Borrowers who struggle to repay debts are successfully able to resolve them or otherwise have them removed without permanent damage to their ability to build wealth.

Tens of millions of households across the U.S. struggle to manage their debt. Worse, as of 2020 17 million households (about 13 percent) were in “net debt,” meaning that the amount of debt they owe exceeds the value of all the assets they own.⁶⁵ Not all debt is bad, but some types of debt and some debt experiences are associated with significant negative impacts on financial well-being, health, income, net worth, and other dimensions of people’s lives. Debt is also an important contributor to racial wealth gaps, draining millions of dollars from Black and other households of color every year.⁶⁶ Systematically resolving these burdensome debts is a prerequisite to wealth building for many low-wealth households and households of color.

Medical debt and student loan debt are among the most common and most damaging types of debt. In 2020, approximately 15 percent of households had more than \$250 in medical debt.⁶⁷ Student loans are held by about 21 percent of households, but people under 35 are twice as likely as the general population to carry student loan debt.⁶⁸ Recently, it has become more common for people nearing or at retirement age to carry student loans.⁶⁹

One of the most financially damaging debt challenges that people experience is having debt in collections.⁷⁰ Nearly 70 million people—roughly 30 percent of the population—report being contacted by a debt collector within the past year. Creditors and debt collectors file suit against about 10 million people annually⁷¹ and more than 70 percent of defendants lose their cases.⁷² A large body of research confirms that these debts are most burdensome to low-income, Black, and Latino people, as well as those with disabilities and chronic health conditions.⁷³

Leaders in every sector can help achieve this objective through actions that minimize the following indicators of burdensome debt:

- **The proportion of households with medical debt greater than \$250.** The Peterson-KFF Health System Tracker, based on analysis of its surveys, specifies this as a significant threshold.⁷⁴
- **The proportion of households with student loan balances greater than \$10,000.** This measure is a proxy for how many people have burdensome student loan debt. Based on their median income and the new Income-Driven Repayment plan requirements, \$10,000 is approximately the amount of money that a typical graduate of a four-year public university can fully pay off within 10 years.⁷⁵
- **The proportion of consumers with at least one collection tradeline on their consumer credit reports.** This is a measure of how common it is for people to have debt in collections, an important indicator that their debt is too burdensome. “Tradeline” is the industry’s term for each credit report entry that documents a specific debt that has been referred to a collections agency.
- **The proportion of debt collection lawsuits that end in default judgment against the borrower.** Default judgements occur when the defendant in a civil lawsuit does not appear on their court date, leading to an automatic ruling that they must repay the debt, as well as any court fines and fees they incur.

Current data indicate that burdensome debt is common and collections-related challenges are widespread, but they are more significant sources of financial stress among households of color and lower-wealth households.

Table 2. Indicators of Burdensome Debt

Population	Households with > \$250 of medical debt, 2020	Households holding student loan debt with balances > \$10,000, 2019	Individuals with collections tradeline(s) on their credit reports, 2022
Total	14.5%	70.3%	26%
Bottom 50% by wealth	25.6%	73.1%	n/a
Top 50% by wealth	8.7%	64.2%	n/a
White	12.5%	71.3%	22%
Black	23.7%	69.5%	n/a
Hispanic/Latino	17%	64.3%	n/a
Other	11.4%	70.6%	n/a
All communities of color	n/a	n/a	35%

Debt collection lawsuits that end in default judgment against the borrower: Over 70% (2006-2016).

Sources: U.S. Census Bureau, 2021 Survey of Income and Program Participation; Federal Reserve Board, 2019 Survey of Consumer Finances; Urban Institute, Debt in America interactive map; and Pew Research Center. See endnote for details.⁷⁶

High Impact Solutions

The following evidence-backed solutions address the drivers of medical and student loan debt and have high potential to ensure the accuracy of information reported to consumer credit bureaus and courts, as well as improve defendants’ outcomes in debt collection lawsuits. While the impact of these solutions will depend on how they are designed, if implemented at scale, they would substantially benefit at least the 26 percent of people that have debt in collections.

Three solutions to increase access to healthcare and reduce out of pocket costs:

1 Expand, improve, and leverage nationwide health insurance systems. Universal access to affordable health insurance would significantly decrease the share of healthcare expenses borne by individuals, and therefore the amount of financially harmful medical debt they accrue. Nationwide health insurance systems, like Medicare, Medicaid, and subsidized Affordable Care Act plans, are the only systems with the capacity and funding models to solve the

problem at scale. Expanding access to these programs, while ensuring their fiscal sustainability, would also spur private insurers to improve their plans, further contributing to its impact.

IMPACT Research shows that some of the benefits of these expansions emerge quickly: households that gained access to Medicaid following the passage of the Affordable Care Act⁷⁷ have significantly less medical debt,⁷⁸ moderately more savings,⁷⁹ and experience fewer evictions.⁸⁰ These solutions would have an even larger impact on households of color because Black, Hispanic, and Native people have the highest uninsured and underinsured rates;⁸¹ they saw the biggest gains from the passage of the Affordable Care Act.⁸²

2 Require greater levels of charity care. Since the passage of the Affordable Care Act, nonprofit hospitals—which comprise more than half of all hospitals—have had the responsibility to provide “charity care” to low- and moderate-income patients by writing down their bills to affordable levels. However, hospitals typically spend just 1 percent of their

operating costs on charity care.⁸³ Many do not fully meet this obligation, to the detriment of millions of low-income patients. These programs should be expanded to reach more people, and policymakers and health sector leaders should advance reforms that provide transparency and accountability.

IMPACT Expanding charity care and limiting medical debt referred to collections would have large impacts on smaller numbers of people. For example, in Maryland, nonprofit hospitals currently collect about \$60 million annually from approximately 500,000 low-income patients who should have received charity care,⁸⁴ representing about 8 percent of the state's population. Because Native, Black, and Latino households are most likely to have unpaid medical bills, the benefits of enhanced charity care would largely flow to households of color.

3 Establish ceilings on the amount of medical debt that can be referred to collections. Limiting the amount of debt that healthcare providers can refer to collections would incentivize healthcare providers to work with patients on flexible payment plans, write down more bills that patients cannot pay, and ultimately benefit individuals and families. The Peterson-KFF Health Tracker has found that \$250 is a threshold at which medical debt becomes significant and difficult for people to manage.⁸⁵

IMPACT A ceiling on the amount of medical debt in collections would significantly reduce the number of households with debt collections tradelines on credit reports since medical debt comprises 58 percent of total debt in collections.⁸⁶ In turn, this could boost credit scores for affected people by as much as 100 points.⁸⁷ Establishing a cap would build on recent actions by credit scoring agencies to remove 70 percent of the medical debt that negatively affects credit scores.⁸⁸ A \$250 cap on the amount of medical debt that can be referred to collections would also reduce the widespread practice of suing patients over medical debt, reducing the risk of default judgements against them.⁸⁹

Two solutions to reduce the burden of federal student loans for those currently in debt:

1 Implement reforms to Income-Driven Repayment plans. Income-Driven Repayment (IDR) plans are numerous, confusing, and hard for borrowers to stay enrolled in. This is one reason that the default rate was higher than 10 percent immediately before the payment pause began in April 2020.⁹⁰ In January 2023, the U.S. Department of Education proposed to update repayment regulations in ways that would make them significantly less burdensome for borrowers.⁹¹ The most important proposed changes would: 1) reduce monthly payments within the Revised Pay As You Earn (REPAYE) plan –the IDR program with the greatest enrollment–to 5 percent of discretionary income; and 2) prohibit additional interest from accruing when IDR borrowers' required payments are below the monthly interest charged to their accounts. These regulatory changes could be implemented before the 2023-2024 academic year begins.

IMPACT According to the Department of Education, future borrowers would see their total payments per dollar borrowed decrease by 40 percent under the proposed new IDR rules.⁹² This would reduce debt burdens significantly for the third of households in the bottom half of the wealth distribution that have student loan debt.⁹³ These policies would have the greatest impact on Black households, as they are most likely to have student loans, to borrow in larger amounts, and to make little progress paying off their loans, even in IDR.⁹⁴ These problems also disproportionately impact Latino and Native borrowers.⁹⁵ The IDR changes would, on average, cut payments in half for Black, Hispanic and Latino, American Indian, and Alaska Native borrowers.⁹⁶

2 Forgive at least \$30,000 of federal student loan debt for nearly all borrowers. In 2022, nearly 45 million people held federal student loans. According to Aspen FSP's analysis of current debtors' income, other debts, and assets, \$30,000 is the minimum amount necessary to ensure equitable outcomes for Black borrowers and all borrowers whose balances have grown even as they made on-time payments.⁹⁷ This is also roughly the cost of one academic year at an in-state, public, four-year institution.⁹⁸

IMPACT Half of student borrowers would have their debts forgiven from cancellation if the Supreme Court declares it is constitutional for the federal government to forgive \$10,000-\$20,000 in student loans.⁹⁹ Canceling at least \$30,000 in student loan debt would take the benefit even further, putting the majority of student loan borrowers on a path to building wealth.¹⁰⁰ Since \$30,000 is the median amount of student loan debt held by Black borrowers, this level of forgiveness is important to benefit them at scale.¹⁰¹

Three solutions to reduce future students' and families' costs of attending public colleges and universities:

The only permanent solution to the student loan debt crisis is for governments to properly finance public higher education and training and support students from low-income families. That is also the primary solution to ensure that everyone has the opportunity to receive career- and wage-boosting postsecondary education and training without incurring burdensome debt, which is Objective 4 of the New Wealth Agenda. Please see pages [19-22](#) for details about solutions such as:

- **Increasing federal and state government investments in public institutions of higher education and career training;**
- **Guaranteeing all students up to four years of free tuition at public colleges and universities; and**
- **Increasing federal Pell Grants to college and vocational training students from low-income families.**

Four solutions to implement comprehensive debt collection reform:

Impact estimates for these policy solutions are grouped together because most existing research assesses packages of reforms.

1 Increase the requirements creditors must meet when initiating a lawsuit. Creditors should be subjected to the following requirements to prevent unfair lawsuits against debtors: documentation of ownership of a debt that is owed by the named borrower before a debt collection lawsuit can begin, prohibition of litigation on all debt that has passed the statute of limitations, and proof that the debt is not time-barred.¹⁰²

2 Support borrowers' ability to defend themselves when they are sued. Borrowers need more effective ways to resolve claims about debt that they do not owe before they are sued. For those who are caught up in debt collection litigation, it is critical to strengthen the standards that are intended to ensure that all defendants receive adequate notice that they are being sued, along with information about their legal rights, resources, and their court date.¹⁰³ Other effective approaches include providing access to legal advice at the courthouse to defendants who will represent themselves and funding legal aid attorneys to represent defendants.¹⁰⁴

3 Ensure that judgements do not permanently damage debtors' financial security. This includes increasing the amount of wages and types of earnings that are protected from wage garnishment orders, closing the loophole that allows creditors to seize balances from people's bank accounts, and limiting pre- and post-judgment interest rates that are applied to the debt owed, court fees, etc.¹⁰⁵

4 Increase the mandate and capability of federal agencies to supervise and enforce debt collection and litigation laws. The success of the above three solutions depends on improving the regulatory regimes and laws that govern debt collection activities and litigation. The Federal Trade Commission and the Consumer Financial Protection Bureau (CFPB) both need clearer and stronger powers, as well as increased funding, to pursue and resolve violations.

IMPACT While data and evidence on the impacts of these solutions are limited and not uniform across states and localities, existing studies suggest that they could benefit millions of people who are likely to be in the bottom half of the wealth distribution and people of color. As of 2015, more than 10 million people were sued for debt in collections, and an estimated 7 million received sudden notices of a debt or bill they may not have been legally required to pay.¹⁰⁶ A 2015 study also found that Black communities in St. Louis, Chicago, and Newark were twice as likely to receive debt collection lawsuits than white communities.¹⁰⁷ That communities of color are 13 percentage points more likely than white communities nationally to have debt in collections also suggests they could benefit the most from reform.¹⁰⁸

OBJECTIVE 3 Startup Capital for Life

By 2050, all young adults will have financial assets in the tens of thousands of dollars that can be used to invest in wealth-building endeavors.

The American Dream of economic mobility for the next generation is heading in the wrong direction: younger generations are on track to have less wealth than their parents, which could have ripple effects for U.S. democracy and society throughout the 21st century.¹⁰⁹ Starting early matters, as research shows that having more initial wealth predicts higher wealth later in life.¹¹⁰

To give everyone a chance to start adulthood with investable sums of money, public and private systems can ensure that all children receive early wealth-building accounts that grow into a foundational source of wealth. While states, localities, and private organizations have begun administering these accounts,¹¹¹ the time has come for an inclusive national program to set all children in the United States on a path to long-term, sustainable wealth. With universal wealth-building accounts available from birth, all children can expect to enter adulthood with more equal opportunities for a bright financial future.

Leaders in every sector can help achieve this objective through actions that maximize this indicator:

- The percentage of young adult-headed households (18-24) that have at least \$20,000 in financial assets. This figure would tell us the scale of young adults with significant financial assets they can invest in wealth-building endeavors.¹¹²

In 2019, just 17 percent of households headed by an 18- to 24-year-old had at least \$20,000 in financial assets. This was even lower for households in the bottom half of the wealth distribution, at just 13 percent. Black households were the least likely to have this amount, at only 7 percent. These figures show that there is a large opportunity for early wealth-building accounts to level the playing field for who has startup capital for life and therefore the best opportunities for lifelong wealth building.

Table 3. Young Adult-Headed Households with at Least \$20,000 in Financial Assets

Population	Young adult-headed households (18-24) with at least \$20,000 in financial assets
Total	17.4%
Bottom 50% by wealth	13.2%
Top 50% by wealth	73.2%
White	17.7%
Black	7.3%
Hispanic/Latino	23.9%
Other	21%

Source: Federal Reserve, Survey of Consumer Finances, 2019.

| High Impact Solution

One solution to dramatically increase the financial assets of young adults:

- 1 Create, seed, and grow investment accounts at birth. All newborns should have early wealth-building accounts (EWBAs) established in their name, seeded with public or philanthropic funds, with the potential for public and philanthropic institutions to make ongoing contributions to some children's accounts, depending on family income or wealth. Funds should be invested to leverage the power of markets and compound interest, such that they can grow substantially over 18 years, with some portion of the funds' value guaranteed.

While some important differences exist, Child Development Accounts, College Saving Accounts, Baby Bonds, the Roth at Birth, CalKIDS, and 401(K)ids are all part of the same national movement focused on building savings and assets for children from lower-wealth households. Defined this way, more than 1.2 million of these accounts exist in the United States today,

according to Prosperity Now, though millions more children live in asset-poor families who could substantially benefit from EWBAAs.¹¹³ For these accounts to have the greatest impact, they should adopt the following key features:¹¹⁴

1. Universal eligibility with automatic enrollment at birth. To allow everyone the opportunity to build wealth from a young age, accounts should be universal and automatically established for newborns.
2. Automatic, progressive initial deposit. Children should have not only access to accounts by default, but have a head start on lifelong saving through an initial deposit that is automatically invested. These deposits should be progressively funded, so that children from families with the least wealth or income get the most financial support.

3. Automatic, progressive deposits. Funds should be automatically invested in early wealth-building accounts every year based on the family's income or wealth.
4. Restricted withdrawals. When made available at age 18, the funds should be available for a wide variety of wealth-building endeavors, but restricted from uses such as current income, entertainment, or general consumption.

IMPACT Aspen FSP estimates that early wealth-building accounts that open at birth with a \$1,000 initial investment, a \$500 annual deposit, and an annual rate of return of 6.5 percent could allow all children in the United States to have \$20,000 in financial assets by the time they turn 18.¹¹⁵ According to a simulation from Morningstar, early wealth-building accounts could reduce racial wealth disparities between Black and Latino households and white households by 20 percentage points.¹¹⁶

For Building Wealth Through Entrepreneurship and Small Business Ownership, Startup Capital Makes the Difference.

Starting a business is a common goal among younger adults and is a lauded achievement in U.S. culture. There are more than 32 million small businesses operating in the United States, generating billions in economic activity each year.¹¹⁷ Yet just 13.4 percent 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.¹¹⁸ It generally takes two or more years for a new firm to become profitable, and owners report relatively modest incomes, ranging from \$26,000 to \$52,000, depending on the type of business.¹¹⁹ One of the key differences between businesses that survive and those that do not is startup capital.¹²⁰

Early wealth-building accounts could make the difference for young would-be entrepreneurs, especially those who come from low-wealth families and who face barriers to raising outside investment due to race, gender, and other factors. The small businesses most likely to generate significant revenues and healthy profits are employer firms. There are only about 5 million of these small businesses, and they employ about 45 percent of all workers. One of the key

characteristics of these successful businesses is that their owners had thousands of dollars of startup capital.¹²¹

Having startup capital for starting a business early in adulthood would be especially meaningful for Black and Latino households, as those who own business equity have significantly greater wealth than other Black and Latino households. Less than five percent of Black households and 7 percent of Hispanic/Latino households own business equity, and their median wealth is \$255,205 and \$352,600, respectively—hundreds of thousands of dollars higher than median wealth for both racial groups.¹²²

In addition to early wealth-building accounts that can be used for entrepreneurship, Objective 7: Shared Ownership explores the potential of innovative approaches to shared small business ownership (see pages [31-33](#)).

Aspen FSP has also identified additional solutions that would help small business owners access credit, use debt more effectively, and build business equity in "[101 Solutions for Inclusive Wealth Building](#)."¹²³



OBJECTIVE 4

Wealth-Building Career Pathways

By 2050, everyone will have the opportunity to receive career- and wage-boosting post-secondary education and training without incurring burdensome debt.

In the modern economy, people need specialized skills training beyond what is provided by high school education to obtain most well-paid, career-oriented jobs. Today, the education, training, and financing systems that should provide opportunities to continue learning and training after high school do not work for most people who need them. Achieving this objective requires transforming how our society finances public higher education and career training programs to address one of the major barriers to economic mobility—the prohibitive expense of education and training for careers that move people up the economic ladder. Objective 2 included solutions for current borrowers. Here, we envision a better experience for future generations.

Leaders in every sector can help achieve this objective through actions that maximize the following indicators of postsecondary access, achievement, and returns:

- **The proportion of students who enroll in four- or two-year higher education institutions within one year of completing high school.** This is a proxy measure for how many young adults can afford the most common pathway to careers that support financial stability and enable people to build wealth.
- **The proportion of community college and undergraduate students at public institutions who complete degrees on time.** Most students do not complete their degrees in the amount of time schools consider appropriate—for example, four-year degrees are expected to be completed within six years. Student loan debt is especially harmful to those who do not complete their degrees.

- **The proportion of undergraduate students at public institutions who graduate with no more than \$10,000 in federal student loans.** Ten thousand dollars is approximately what the typical graduate of a four-year college can expect to repay over 10 years, based on median earnings and the new Income-Driven Repayment plan rules. That makes \$10,000 an appropriate threshold for whether student loan debt is burdensome and a barrier to wealth.¹²⁴
- **The employment rate of workers after completing certified or registered workforce development programs.** This metric tells us whether workforce development programs are successfully linking participants to jobs. Specifically, we track the employment rate of participants in the fourth quarter after exiting their programs, as tracked by the National Center for Education Statistics.

In recent years, more than half of high school graduates of all racial groups have enrolled in four- or two-year higher education institutions.¹²⁵ Racial disparities quickly emerge, both in terms of completion rates¹²⁶ and, for eligible degrees and certificates, borrowing rates and median amounts borrowed.¹²⁷

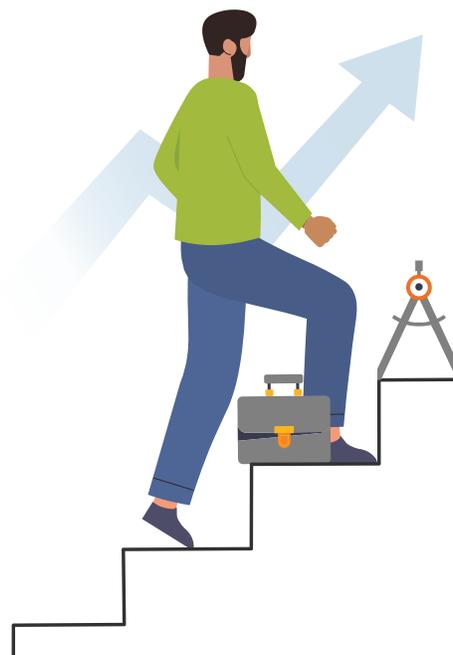


Table 4. Indicators That Wealth-Building Career Pathways Are Accessible

Population	The proportion of students who enroll in four- or two-year higher education institutions within one year of completing high school, 2020	Six-year college completion rate, 2022	Undergraduate students at public institutions who graduate with less than \$10,000 in federal student loans, 2018	Employment rate of workers in the fourth quarter after exiting a workforce development program, 2021
Total	63%	62.3%	62.6%	66.6%
Bottom 50% by wealth	n/a	n/a	n/a	n/a
Top 50% by wealth	n/a	n/a	n/a	n/a
White	67%	68.4%	68.4%	67.9%
Black	54%	43.9%	55.3%	66.9%
Hispanic/Latino	60%	50.3%	77.1%	65.8%
Other racial groups	86% (Asian)	74.9% (Asian) 49.5% (Native American)	76.7%	61.1% (AIAN) 63.6% (Asian) 60.2% (Native Hawaiian/Pacific Islander) 62.7% (More than one race)

Source: National Center for Education Statistics, National Student Clearinghouse Center, and U.S. Department of Labor, Employment and Training Administration. See endnote for details.¹²⁸

High Impact Solutions

These evidence-backed solutions focus on increasing investments by federal and state governments, public colleges and universities, and employers in the education and training of young adults.

Five solutions to dramatically reduce student and family costs of higher education and career training:

1 Increase federal and state government investments in public institutions of higher education and career training. State governments, once the primary source of funding for public institutions of higher education, reduced spending on these schools by \$6.6 billion between 2008-2018.¹²⁹ These cuts reinforce the longer-term trend of state and federal government divesting from higher education and student financial aid.¹³⁰ At the same time, a greater proportion of public institutions’ operating costs

has been paid by students and their families, with federal student loans their largest source of funds. This solution alone cannot fully solve challenges related to public higher education and training or student loan debt, but paired with other reforms described below, it would make significant progress toward ensuring that more people enter the workforce with the skills to secure well-paid jobs and without the debt that restricts their ability to build wealth.¹³¹

IMPACT Reinvesting in public higher education and training is not only the permanent solution to the student loan debt crisis, it would also ensure that future students are better able to leverage higher education for economic mobility, especially those who are currently most likely to borrow to finance higher education.¹³² While it is unclear precisely how much this would impact the financial stability and wealth of households in the bottom half of the wealth distribution and households of color, such a major systemic change would affect the majority of students and workers.

2 Guarantee all students up to four years of free tuition at public colleges and universities. This idea has gained traction among leaders in state and federal government and higher education, and with youth and young adults across the country. At the state level, some programs are universally available to recent high school graduates while others restrict eligibility to students from LMI families and first-generation college students. Programs may apply only to two-year institutions such as community colleges or allow four-year colleges as well¹³³ Michigan's Kalamazoo Promise had great success in enrolling and graduating students who were otherwise less likely to go to college,¹³⁴ and could serve as a model for other states.¹³⁵

IMPACT Low-income students who are eligible for the Kalamazoo Promise tend to enroll in more selective colleges—and fewer for-profit institutions—than ineligible low-income peers.¹³⁶ One recent, large randomized, controlled trial found that high-achieving, low-income students who knew in advance that they would pay no tuition or fees if admitted were more than twice as likely to apply to a flagship state university (68 percent of the treatment group) and more than twice as likely to enroll in a selective institution (28 percent of the treatment group).¹³⁷ That suggests that widely available tuition-free public higher education would significantly increase the educational attainment of lower-income students, boosting their lifetime earnings and ability to build wealth.

3 Significantly increase federal Pell Grants to college and vocational training students who are low-income or from low-income families. The Pell Grant, the primary source of need-based grant aid for students from low-income families, once covered 80 percent of the cost of attendance at a public institution; today it covers just 30 percent.¹³⁸ In the 2022-2023 academic year, the maximum Pell Grant award is \$7,395¹³⁹ even though the average cost of attendance for a student at a four-year public institution is \$25,707.¹⁴⁰ Low-income students should have their financial aid needs fully met through grants and other debt-free supports.

IMPACT The Urban Institute finds that doubling the maximum Pell Grant would significantly reduce the proportion of Pell-eligible students who have unmet financial aid needs after the grant is applied. Currently, depending on the expected family contribution, Pell-eligible students at four-year institutions face annual gaps ranging from

roughly \$6,000 to \$16,000¹⁴¹ that they must fund with loans, additional employment income, or other sources. Doubling the maximum Pell Grant could reduce annual borrowing by recipients by thousands of dollars each, leaving them much better prepared to build wealth over time.

4 Withhold federal financial aid from institutions whose students have poor employment outcomes. The U.S. Department of Education has been working on such a policy for more than a decade, implementing one version from 2014-2019.¹⁴² The Gainful Employment (GE) rule was designed to ensure that student loan borrowers could afford to repay their loans by making certain institutions and programs accountable for their students' earnings and debt-to-income (DTI) ratios after leaving. The 2014 rule primarily applied to for-profit institutions, a relatively small proportion of all providers of higher education and training, but it achieved positive outcomes for the federal government and students alike.¹⁴³ Programs passed their GE assessments if graduates' student loan payments were less than 8 percent of their income or the average DTI was no higher than 12 percent. Programs that failed repeatedly would lose the ability to receive federal student aid. The Department of Education released a proposal in 2022 but did not finalize it; it intends to release a new proposed rule in 2023.¹⁴⁴

IMPACT The first GE rule was not in effect long enough to lead any institutions or programs to lose eligibility, but it contributed to closures of several for-profit institutions.¹⁴⁵ The authors are not aware of research that estimates the impact of GE on students' wealth, but a strengthened GE rule would save the federal government, students, and trainees billions of dollars over time, while improving the quality of higher education and training.¹⁴⁶ Black and Latino households would benefit greatly, as they have been systematically targeted by low-quality, for-profit degree and certificate programs for many years.¹⁴⁷

5 Implement Income-Driven Repayment Plan reforms. This solution first appears in Objective 2, on page 15. Some students, especially those not at public institutions, will continue to take out student loans. The Department of Education's proposed reforms to Income-Driven Repayment plans (IDR) would reduce the lifetime cost of federal student loans. This would have large impacts on both households in the bottom half of the wealth distribution and households of color.

IMPACT According to the Department of Education, under the proposed new IDR rules, future borrowers would see their total payments per dollar borrowed decrease by 40 percent.¹⁴⁸ This would reduce debt burdens significantly for the third of households in the bottom half of the wealth distribution that have student loan debt.¹⁴⁹ These policies would have the greatest impact on Black households, who are the most likely to have student loans, to borrow larger amounts, and to make less progress paying off their loans, even in IDR.¹⁵⁰ These problems also disproportionately impact Latino and Native borrowers. The IDR changes would, on average, cut payments in half for Black, Hispanic and Latino, American Indian, and Alaska Native borrowers.¹⁵¹

Two solutions to increase the number of people who complete registered apprenticeships and certified vocational training programs:

1 Increase public and private investment in registered apprenticeship programs.

The number of participants in registered apprenticeships (RAs) is a small fraction of the number of students enrolled in college and about half of those who start apprenticeship programs do not complete them.¹⁵² Still, this has been an area of bipartisan investment by the federal government over the past decade, with 400,000 apprentices completing RAs between 2012-2021. Employers' primary expense is compensation, which can range from \$25,000 per apprentice to as much as \$250,000, depending on the occupation, position, length of apprenticeship, and regional wages.¹⁵³

IMPACT Expanding federal, state, and private investments in RA programs could do much to put lower-wealth workers on sustainable pathways to wealth building. One economic analysis estimated that participating in an RA raises lifetime income and benefits by \$123,906. Completers' additional income and benefits exceeded \$300,000.¹⁵⁴ That same study estimated that federal government spending of \$718 per RA participant generates an average of \$124,057 in social benefits such as tax revenues and reduced spending on safety net programs. Another study reported that employers benefit from increased productivity, lower turnover costs, and opportunities to receive state tax credits and other funding to support apprentices.¹⁵⁵

2 Make need-based, non-loan federal financial aid available to participants in registered apprenticeships and certified vocational training programs that meet quality standards.

Currently, students in certain certified vocational training programs can access federal financial aid. This includes programs provided by for-profit institutions as well as community colleges and workforce development organizations. More participants in high-quality, evidence-backed career training programs should have access to these resources, especially the Pell Grant. Even among participants in paid training programs and RAs, many people would qualify for Pell Grants, especially those who have dependents. In expanding Pell Grants to these programs, it would be critical to apply the Gainful Employment rule with an earnings threshold, as well as the DTI measurements that were previously in place.¹⁵⁶ This would ensure that federal grant aid only supports students and trainees in programs that demonstrably raise their earnings above what a typical high school graduate with no additional training would earn in their area. Expanding financial aid would address one of the main reasons people do not complete associate and bachelor's degrees and certified vocational training: students have to work to make ends meet, but they struggle to balance that need with taking and passing classes.¹⁵⁷

IMPACT By making financial aid more available to participants of registered apprenticeships and high-quality, certified vocational training programs, more students would complete vocational education training programs and receive the associated returns to income. This is evident in the returns to RAs, which—as described for the previous solution—can generate hundreds of thousands of dollars in increased lifetime earnings for participants, even those who do not graduate.¹⁵⁸ More students could also enjoy the returns of non-degree credentials, which have been shown to increase annual earnings by \$2,000 to \$6,500 per year.¹⁵⁹ Just 6 percent of adults who exited a workforce development program in 2021 received a Pell Grant and 25 percent did not complete their training, showing an opportunity for financial aid to boost completion rates.¹⁶⁰



OBJECTIVE 5

Equitable Homeownership

By 2050, regardless of their race or ethnicity, gender, health or disability, every renter who wants to buy a home will have real opportunities to do so; borrowers will be equally able to secure affordable mortgages; and homeowners will be able to sustain homeownership and comparably able to accrue home equity and wealth.

Homeownership provides one of the most important determinants of financial stability by stabilizing long-term housing costs and it can create a large source of wealth to pass on to subsequent generations. In contrast, renters typically see their housing costs increase every year and accrue significantly less wealth.

Achieving equitable homeownership requires addressing renters' housing and financial challenges. Median rents have grown faster than inflation nearly every year of the 21st century, and new housing production continues to lag after the 2008 housing crisis. Today, half of renters spend more than 30 percent of their income on housing.¹⁶¹ Eviction rates have returned to—and in some places exceeded—their pre-pandemic levels, and homelessness is continuing to rise.¹⁶²

This has had a profound impact on homeownership opportunities. Over the past 15 years, the age of first-time homebuyers increased from under 30 to 36. In 2021, 26 percent of homebuyers were first-timers, down sharply from 50 percent in 2010.¹⁶³ Today's homeowners will have fewer years to build up home equity than their parents' generation.

People of color in the United States suffer financial harms due to racial discrimination and systemic exclusion, and that has prevented millions of Black, Latino, Native, and other people of color from buying homes.¹⁶⁴ Homeownership rates and home valuations vary dramatically by the owner's race and ethnicity and represent a major contribution to racial wealth gaps; Black household wealth is most severely impacted by these disparities.¹⁶⁵ Regulatory reforms are necessary, but financial products and programs are also essential to help people of color become homeowners and build home equity.

Leaders in every sector can help achieve this objective through actions that minimize the following indicator of renters' financial stability:

- **The proportion of renter households that are cost-burdened.** Households that spend more than 30 percent of their income on housing costs are considered cost-burdened.¹⁶⁶ Cost-burdened households are not well-positioned to save sufficient money for down payments or other investments.

Leaders in every sector can also help achieve this objective through actions that maximize the following three indicators of equitable homeownership:

- **Parity in homeownership rates across racial and ethnic groups.** Racist exclusion of Black, Native, and other people of color was built into nearly all U.S. housing laws and policies until the 1960s, with ongoing consequences. People of color today experience discrimination or systematic disparities in labor markets, financial markets, rental housing, homebuying, and credit reporting and scoring—all of which add up to the white homeownership rate remaining persistently about 20 percentage points above those of Black, Latino, and Native households.¹⁶⁷
- **Parity in the median value of home equity across racial and ethnic groups.** Many of the same structural barriers that result in lower homeownership rates among Black, Latino, and Native households also impact the amount of equity they can build in their homes. Nearing or achieving parity in the median value of home equity would make an outsized contribution toward closing racial wealth gaps.
- **The proportion of homeowners who own more than 20 percent of their home's value.** Homeownership becomes marginally more affordable at this point, as owners no longer pay private mortgage insurance, and foreclosure is extremely rare, even when home values fall.¹⁶⁸

Table 5. Indicators of Renters’ Financial Stability and Equitable Homeownership

Population	Percentage of renter households that are cost-burdened, 2019	Homeownership rate, 2022	Median value of home equity (for homeowners), 2019	Percentage of homeowner households with home equity above 20% of their home value, 2019
Total	46% (2022)	65.9%	\$120,000	88.7%
Bottom 50% by wealth	47.2%	37.8% (2019)	\$42,000	73%
Top 50% by wealth	19%	92.8% (2019)	\$180,000	95.2%
White	39.3%	74.5%	\$128,000	90.1%
Black	46.9%	44.9%	\$66,819	81.7%
Hispanic/Latino (of any race)	52.5%	48.5%	\$90,000	85.9%
Other	50.5%	58.7%	\$229,000	86.8%

Source: Joint Center for Housing Studies, 2019 Survey of Consumer Finances, and Federal Reserve Economic Data (FRED). See endnote for details.¹⁶⁹

High Impact Solutions

The following evidence-backed solutions start with strategies to boost renters’ financial security and end racial discrimination in rental housing markets. The solutions then focus on opportunities to boost homeownership rates among households of color, especially Black and Latino households, ensure that people of color benefit from homeownership commensurately with white homeowners. These solutions would close racial homeownership gaps, making homeownership more accessible for millions of people of color and for many white renters in the lower half of the wealth distribution.

Four solutions to boost renters’ financial stability:

1 Invest in construction of new rental housing at all price points through zoning reform and financial investments. The U.S. has a housing shortfall of between 4 million units¹⁷⁰ and 6.8 million units.¹⁷¹ The supply shortage is so severe that new rental housing is needed at all price points. State-level zoning reform is a prerequisite for implementing this solution at scale. Too much land in the nation’s most dynamic economic regions and in areas with growing job markets is zoned exclusively for large, detached single family homes.¹⁷²

Zoning reforms are addressed further under the solution “Build millions of starter homes through zoning and land use reforms.”

Financial investments in a broader range of new rental housing is equally important to ensure renters can afford their housing. The private sector—the developers, financiers, and providers of most of the nation’s housing—has a vital role to play. To increase construction of market-rate rental housing, leaders can apply new technology and more efficient building methods—such as factory-based construction¹⁷³ and panelization.¹⁷⁴ Private sector leaders should also increase investment in minority-owned depository institutions, community development financial institutions (CDFIs), and small and diversely owned housing firms to meet underserved communities’ needs.¹⁷⁵

Governments are essential funders of new subsidized housing; primarily through financing mechanisms such as tax credits for developers, lower-cost loans or subordinate debt, and grant funding.¹⁷⁶ The Low-Income Housing Tax Credit (LIHTC) has financed the construction or rehabilitation of about 100,000 affordable housing units each year for decades,¹⁷⁷ but funding is insufficient to support nationwide development of lower-cost rental housing. Greater investment in tax credits, direct spending,

and other incentives for construction or lower-cost housing in high-amenity neighborhood supports renters' financial stability.¹⁷⁸

IMPACT Economists estimate that housing supply restrictions have lowered the nation's economic growth by 36 percent between 1964 and 2009.¹⁷⁹ A 2019 study of 11 major cities across the U.S. found that the average new building decreases nearby rents by 5 percent to 7 percent, translating to \$100 to \$159 in monthly savings on rent.¹⁸⁰

2 Preserve existing lower-cost rental housing. Preservation prevents a decline in the supply of lower-cost rental housing. About 75 percent of the U.S. affordable housing stock is considered "naturally occurring affordable housing" (NOAH), meaning that it is affordable for LMI families despite being unsubsidized.¹⁸¹ To prevent these older units from being converted into more expensive housing, there are opportunities for governments, financial institutions, investors, and nonprofits to preserve NOAH units and invest in their rehabilitation.¹⁸²¹⁸³¹⁸⁴ Focusing these efforts on places that are adding significant amounts of new housing can effectively guard against displacement of current LMI and low-wealth residents. Reinvesting in the quality and accessibility of existing public housing across the U.S. would help ensure that a greater proportion of rental housing is affordable to the lowest-income households than is currently the case.¹⁸⁵

IMPACT If modest increases in rental housing supply translate to \$100 to \$159 in monthly savings on rent,¹⁸⁶ it equates to roughly one month of typical, fair-market rent for a one- or two-bedroom apartment across the nation.¹⁸⁷ That significant financial lift would support financial and housing stability for millions more renters. The authors are not aware of research that quantifies the financial impact of NOAH preservation on households, but it is reasonable to anticipate that large-scale housing preservation efforts will help stabilize costs for low-income renters and homeowners.

3 Guarantee all eligible households receive federal housing assistance and are connected to HUD's savings programs. Today, less than 25 percent of eligible households receive federal housing assistance, meaning they receive a Housing Choice Voucher or reside in

public housing or a subsidized building.¹⁸⁸ Many who do not receive assistance live in housing that is overcrowded and hazardous, or experience homelessness. To properly serve these eligible families—which include those with income of 30 percent or less of their area's median, people who are totally and permanently disabled, and some veterans—Congress must fully fund the Housing Choice Voucher program. This would cost \$500 billion over 10 years.¹⁸⁹ It is also important to prohibit nationwide income discrimination by landlords who refuse to rent to voucher holders.¹⁹⁰ This is a pervasive problem that constrains the success of housing assistance programs.¹⁹¹

In addition, all renters with housing assistance should be connected to HUD's Family Self-Sufficiency program (FSS),¹⁹² which provides families with financial coaching or counseling and allows them to save money when their incomes increase rather than recalculating rent payments to 30 percent of income. Currently, families' access to FSS depends on a management agency or organization to apply for and receive grant funding. More funding is needed to bring this program to scale, along with a smaller but identical program for residents of public housing.

IMPACT If all of the households who are eligible for assistance but do not receive it were to get housing vouchers and use them to pay rent, more than 10 million people could be lifted out of poverty, including many children and disabled people.¹⁹³ The FSS program shows strong results, with graduates amassing a median of about \$9,500;¹⁹⁴ participants in Compass Working Capital's FSS program increase their average annual income by \$6,032 within three years.¹⁹⁵

4 Eliminate illegal steering and exclusion of people of color away from high-quality housing and neighborhoods of opportunity. Housing discrimination is a deeply ingrained dimension of racial inequality, persisting and evolving despite 50 years of civil rights laws. In 2021, renters filed 25,501 housing discrimination complaints, far more than complaints related to lenders and real estate agents.¹⁹⁶ The most common forms of housing discrimination against renters of color are steering and exclusion.¹⁹⁷ Steering occurs when rental agents and landlords show renters of color fewer, less desirable units; exclusion is when they refuse renters of color by denying that a unit is available.

IMPACT The financial costs of rental discrimination equate to 4.4 percent of annual income for Black households and 3.5 percent of annual income for Latino households.¹⁹⁸ Putting that money back in people’s accounts would significantly improve their financial stability and enable them to live in better conditions.¹⁹⁹

Four solutions to boost homeownership and housing wealth for people of color:

1 Build millions of starter homes for sale through zoning and land use reforms.

The wide use of single-family zoning and regulations that limit the number of housing units have raised the cost of both buying and renting.^{200 201 202} Governments must reform land use regulations to stimulate more housing of all types, and prioritize reforms that provide denser, more affordable “starter” homes—meaning homes of modest size that are affordable to first-time buyers. In recent years, zoning and land use reforms have been enacted across the country, and evidence is building that they are effective when they are well-designed.²⁰³ “Market characteristics and the amount of additional density are the critical considerations in crafting an effective upzoning policy;²⁰⁴ in some cases, upzoning has increased property prices rather than delivering starter homes.^{205 206}

To promote construction of starter homes, state and local governments can pair zoning for greater density with other land use regulation reforms. These may include requiring affordable units in new multifamily housing for sale, lowering minimum lot sizes and relaxing strict home design codes, removing regulatory hurdles to construction, and allowing taller buildings.^{207 208 209 210} Private sector actors will emerge to meet the high demand for housing types that such regulations currently prohibit.

IMPACT The mismatch between the number of first-time buyers in the market and the number of starter homes available is nearly 2 million.²¹¹ Increasing the proportion of new entry-level homes to a level that better reflects the population of young adults would likely generate millions more homeowners over several years. Given that members of Generation Z are less than 50 percent white, this will primarily benefit homebuyers of color.

2 Ensure that homebuyers of color have fair access to mortgage credit that meets their needs through special purpose credit programs, small dollar mortgages, and other specialized financing tools.

There are many factors that contribute to the credit disparities that harm Black, Latino, and other people of color.²¹² These disparities are expensive; Black mortgage borrowers in the early 2000s paid an additional 5 percent to 11 percent each month because of credit disparities.²¹³ There are several high-impact strategies that governments and private organizations can pursue to proactively increase access to needed mortgage credit for homebuyers of color.

Special purpose credit programs (SPCPs) can facilitate programs specifically for people of color. SPCPs were established in 1974 and are a legally permissible strategy to focus lending on buyers of color and other economically disadvantaged groups who would otherwise not receive credit or would pay more for it.²¹⁴ Both for-profit and nonprofit lenders can form SPCPs.²¹⁵ SPCPs can also be focused on geographic areas, making them a helpful tool for building wealth within specific disinvested communities.²¹⁶

Financial institutions, philanthropic institutions, and other partners can scale up financing of small-dollar loans for relatively inexpensive homes. The high fixed costs of origination and the perception that borrowers are less likely to repay their loans are two major barriers preventing financial institutions from making mortgage loans for less than \$150,000.²¹⁷ In fact, only one-quarter of homes sold for \$70,000 or less in 2015 were financed with mortgages.²¹⁸

IMPACT Research from Citi estimates that if racial discrimination in credit and housing had ended 20 years ago, about 800,000 additional Black households out of today’s 16 million would own a home, adding more than \$200 billion to the national housing market.²¹⁹ Making small-dollar mortgages widely available in lower-cost metropolitan areas and non-urban areas would increase homeownership and help existing homeowners invest in home repairs and improvements,²²⁰ as well as help close the Black-white homeownership gap.²²¹

3 Increase the scale and generosity of down payment assistance funds for first-time homebuyers and homebuyers of color. The federal government, state and local governments, financial institutions, and philanthropy should expand first-time home buyer assistance programs. This has the potential to enable homeownership for millions of people;²²² one study found that down payment assistance increased renters' willingness to purchase a home by 40 percent.²²³ Targeting down payment assistance to first-time homebuyers of color would also redress discrimination in housing that allows racially unequal homeownership rates to persist.²²⁴

IMPACT Grant-based down payment assistance is proven to be an effective and sustainable path to homeownership, even among low-income buyers.²²⁵ This assistance leads to lower default rates than buyers whose down payment assistance came from forgivable loans, soft second loans, or loan guarantees.²²⁶ Down payment assistance is also an effective strategy to increase recent homebuyers' equity. The Hispanic Wealth Project finds that rising home equity is currently the primary contributor to the rising wealth of Hispanic and Latino households; the median amount is now greater than \$50,000. The organization's goal is to triple Hispanic households' net worth, and support for first-time buyers is one of the things putting that goal within reach.²²⁷

4 Eliminate discrimination within sectors involved in home buying and valuation. Given that home equity is most households' primary source of wealth, reducing housing discrimination is one of the most powerful things that federal and state governments can do to build the wealth of households of color, especially those who live in racially segregated neighborhoods where disinvestment and devaluation of assets are concentrated.²²⁸ Increased oversight is needed for both real estate agents and home appraisers. Agents tend to show fewer, smaller, and less appealingly located homes to Black buyers than to white buyers.²²⁹ Ending steering by real estate professionals would ensure homebuyers of color had equal opportunities to tour and bid on homes that best meet their needs. There is very little oversight by the state and local governments which regulate real estate professionals and enforce fair housing laws.²³⁰

Similar oversight is needed to end racial bias in the appraisal profession and in appraisal values. Controlling for other factors that determine home values, Black- and Latino-owned homes are valued less than white-owned homes by amounts ranging from tens of thousands to hundreds of thousands of dollars,^{231 232 233 234 235} and the impact of racial bias in appraisals has increased since the 1980s.²³⁶ New ethics standards and diversity initiatives in the appraisal profession—combined with the use of regulated automated valuation models for accurate, contact-free assessments—could significantly reduce race-based gaps in appraisal values and home equity.^{237 238}

IMPACT Eliminating appraisal bias in housing would help close racial homeownership gaps²³⁹ and significantly increase the median value of homes owned by people of color. Appraisal bias has especially large costs for residents of majority Black neighborhoods, where homes are undervalued by \$48,000.²⁴⁰ Over time, eliminating racial bias in appraisals would likely increase the value of assets held by homeowners of color by at least several thousand dollars each.

Reinvigorate Federal Fair Housing Supervision and Enforcement.

Despite more than 50 years of civil rights laws intended to ensure that everyone in the United States can rent or buy housing on a fair basis, housing discrimination remains a significant barrier to achieving equitable homeownership. In 2020, Aspen FSP made specific recommendations to fully fund and reform existing federal fair housing and anti-discrimination laws.²⁴¹ These laws are strong on paper but not effective as currently implemented and funded. It will take hundreds of millions of dollars; the National Fair Housing Alliance estimates that the federal government should spend at least \$262 million annually, more than double current spending.²⁴² That is a much smaller amount than housing discrimination has extracted from those who experience it—\$218 billion over recent decades for Black households alone.²⁴³ In addition to more funding, reforms must improve people's ability to successfully report and seek recompense for fair housing violations, strengthen federal agency coordination and collaboration, and change state and local governments' supervisory roles.²⁴⁴

To end housing discrimination, coordinated, fully funded, and robust federal engagement is required.



OBJECTIVE 6

Retirement Security

By 2050, everyone, regardless of employment arrangement, will have funded and user-friendly retirement accounts that enable them to meet their goals in retirement and pass down wealth to their families and communities.

To enjoy a comfortable retirement, people should start saving and investing as early as young adulthood. Through steady paycheck deduction and diversified investment in capital markets, those retirement savings can become large enough to significantly grow their wealth.²⁴⁵ Yet, about half of all households don't have a retirement account,²⁴⁶ and about half of households are not on track to have enough saved for retirement.²⁴⁷ Inequality in retirement savings worsens both wealth and racial inequality, as typical households in the bottom half of the wealth distribution and people of color are less likely to have retirement accounts, and are less likely to participate in plans when they are available due to lower pay and more immediate financial needs.²⁴⁸ To fill this large gap in retirement savings, solutions are needed to change how retirement plans are offered and administered so that everyone can use them to build wealth, meet their needs and goals during retirement, and have the option to pass wealth to the next generation.

Leaders in every sector can help achieve this objective through actions that maximize the following indicators of retirement security:

- **The proportion of households with retirement accounts of any type.** This is an indicator of how many households already have the necessary foundation for accumulating sufficient savings for a secure retirement.
- **The median balance for people with retirement accounts.** While the amount that people “should” have saved for retirement depends on their income, age, family status, healthcare needs, and other factors, balances should go up significantly for those in the bottom half of the wealth distribution and all people of color.

Leaders should seek to minimize a third indicator:

- **The proportion of households with retirement risk,** as measured by the Boston College Center for Retirement Research's National Retirement Risk Index.²⁴⁹ Households with retirement risk do not have enough saved for retirement to maintain their standard of living at age 65.

The data show that the state of retirement security in America is precarious, and those who have retirement accounts do not benefit from them equally. Fewer than one in three households in the bottom half of the wealth distribution have retirement accounts, compared to 70 percent of those in the top half. The median white household also had more than double the retirement savings of median Black and Hispanic and Latino households.



Table 6. Indicators of Retirement Security

Population	Percentage of households with retirement accounts, 2019	Median balance for people with retirement accounts, 2019	Percentage of households with retirement risk
Total	50.6%	\$65,000	51% (2020)
Bottom 50% by wealth	30.9%	\$21,000	n/a
Top 50% by wealth	70.1%	\$229,000	n/a
White	57.3%	\$80,000	48% (35-59-year-olds, 2016)
Black	35.1%	\$35,000	54% (35-59-year-olds, 2016)
Hispanic/Latino	25.5%	\$31,000	61% (35-59-year-olds, 2016)
Other	52.7%	\$47,000	n/a

Source: Survey of Consumer Finances, 2019; Center for Retirement Research at Boston College National Retirement Risk Index. See endnote for details.²⁵⁰

High Impact Solutions

These evidence-backed solutions address gaps in retirement plan participation and balances. They have high potential to allow the majority of households to have a retirement account, build up substantial balances, and minimize long-term retirement risks.

Four solutions to increase access to, enrollment in, and accumulation of funds in retirement accounts to grow wealth and ensure long-term retirement security.

1 Require automatic enrollment into retirement accounts regardless of employment arrangement. Retirement plans are complex, and many people don't take the time to enroll if they are optional.²⁵¹ The default should be auto-enrollment, so that employees would instead have the choice to opt out for a plan they already have. Automatic enrollment in the absence of an employer-sponsored retirement plan—such as through state-facilitated workplace retirement savings plans²⁵²—should also be required for people who do not work for conventional and large employers, which currently account for most employees covered by retirement plans.²⁵³

IMPACT Employer-based automatic enrollment has been shown to dramatically increase access to retirement accounts.^{254 255 256} For example, one study found that automatic enrollment boosted the share of older, low-income workers covered by defined contribution plans from 51.6 percent to 91 percent.²⁵⁷ People who are automatically enrolled can also build more retirement savings through a combination of employee and employer contributions,^{258 259 260} and auto-enrollment increases take-up rates the most among Black and Hispanic participants.²⁶¹

2 Pair emergency savings with retirement accounts. A major barrier to amassing adequate retirement savings are early withdrawals to weather a financial shock, especially for those with low incomes and people of color.²⁶² Early withdrawals have been shown to drain savings available upon retirement by 30 to 40 percent.^{263 264} To protect retirement funds from withdrawal, retirement accounts should be paired with emergency savings accounts that save a portion of paychecks for a rainy day.

IMPACT People with higher emergency savings are less likely to take early withdrawals from

retirement funds,²⁶⁵ and even small amounts of these savings can make a difference in the employee's financial stability.²⁶⁶ According to one projection, a universal automatic enrollment paired with emergency savings accounts would increase median net worth for workers by up to 69 percent by the time they retire, with an 89 percent increase for Black and Hispanic households.²⁶⁷

3 Require auto-escalation of minimum contributions and employer matching.

Retirement plans often have a default contribution that is deducted from paychecks. Unless these are automatically escalated, employees tend to not increase contribution rates themselves, leaving them with less retirement savings in the long-term.^{268 269} To ensure that retirement plans build wealth, they should all adopt auto-escalation—increasing default contributions over time. These contributions should be matched by employers within reasonable limits and invested in a diversified portfolio.²⁷⁰

IMPACT In a study of more than 2 million retirement plan participants, auto-escalation was found to increase aggregate retirement savings among all participants by \$7.4 billion annually.²⁷¹ A simulation of the effects of proposals to improve access to retirement benefits including auto-escalation found that Black and Hispanic households headed by a 35-to 39-year-old would experience an overall 57.9 percent and 49.3 percent increase, respectively, in retirement savings surpluses, higher than white households of the same age group.²⁷²

4 Ensure retirement accounts are automatically portable. When workers leave a job, they may cash out their retirement savings or even forget about their accounts, which leaves less funds for retirement. This has led to nearly \$100 billion worth of losses in retirement savings.²⁷³ To allow workers to continuously build retirement savings between jobs, retirement accounts should be automatically portable, either automatically transferred to a new employer or designed to follow the employee regardless of employer. In 2022, a group of large retirement plan providers launched a new effort to establish a portability network, indicating that solutions may be on the horizon.²⁷⁴

IMPACT Adopting auto-portability at a large scale could result in \$1.5 trillion to \$2 trillion worth of additional retirement savings value over 40 years.²⁷⁵

Two Objectives to Facilitate and Scale Emerging Innovations

In addition to the six objectives detailed so far, we have identified two areas where emerging innovations have the potential to build and protect the wealth of households of color and low-wealth households.



Shared ownership strategies in business, real estate, and other markets hold great promise for helping low-wealth households build assets and diversify their holdings. They also hold potential to enhance community assets in neighborhoods of color.



New strategies to de-risk investment and protect people's wealth create opportunities for people who would most benefit from earning private market returns but are least able to take financial risks. Likewise, most low-wealth households with assets are underinsured and need better forms of wealth protection. Wealth protection is especially important for Black, Latino, and Native households—who have been subject to deliberate wealth-stripping by both private firms and governments—and for everyone at risk of financial disaster due to climate change.

These two objectives are presented differently because they relate to areas of emerging innovation.

We do not include indicators because it is not yet clear which measures are the most appropriate to track over time. There are also fewer sources of public data to draw from, and few studies on the effectiveness and impact of these solutions because they are so new.

Aspen FSP is engaging in a series of innovation-oriented roundtables and working groups to continue to build out these ideas, study potential impacts, and share emerging best practices.



OBJECTIVE 7

Shared Ownership

By 2050, most households will own multiple and diverse wealth-building assets, enabled by innovative shared ownership strategies in a variety of sectors.

Today, most households in the lower half of the wealth distribution own very few assets beyond liquid accounts, vehicles, and, for some, home equity; Black and Latino households tend to own even fewer types of assets.²⁷⁶ Appreciating assets such as real estate and businesses can be difficult to obtain because they require considerable savings or capital.

Holding a variety of asset types creates opportunities to grow wealth from multiple sources and insure against the risk of one asset failing. For asset diversification to build wealth for everyone, more types of affordable assets must be offered on the market. Shared ownership models can allow people to build wealth based on where they live or work with minimal barriers to entry. This is often done by turning an existing entity—such as a commercial building, a workplace,

or a housing complex—into a financial asset with shares available to purchase for the people who live in or near those spaces. As the financial prospects of these entities improve, so does the value of people's shares.

The movement for shared ownership is growing. In the past few years, innovations have emerged related to:

- **Business ownership.** There are existing, effective strategies that have been difficult to scale, notably employee stock option plans (ESOPs) and worker-owned cooperatives. New firms are emerging with innovative approaches to scaling up these models.
- **Real estate and neighborhood assets.** Models including Community Land Trusts, housing cooperatives, and nonprofit Real Estate Investment Trusts have grown over the past few decades, enabling thousands of people to invest in homeownership more affordably or invest with neighbors in community assets.

- **Products that support the purchase of fractional shares in various assets.** Within financial markets, such products have become common, allowing anyone to purchase and build some wealth even if they lack enough savings to make big investments. Several startups offer fractional share investing in private market commercial and residential real estate; other assets, which are more volatile, include art, equity in private businesses, and cryptocurrency.

Scaling up shared ownership approaches would be especially beneficial to low-wealth households and people of color because it would connect them to appreciating assets that they otherwise could not access. Both businesses and real estate are relatively stable and can meet the needs of low-wealth investors. However, these models face barriers to financing, organizing, speed of implementation, and legal requirements across sectors.²⁷⁷ By addressing these constraints, shared ownership models can proliferate at scale and provide ample opportunities to acquire assets that are both affordable and grow long-term wealth. Here, we focus on business ownership, real estate, and community assets.

Innovative, High-Potential Opportunities for Scaling Up Shared Asset Ownership

1 Expand shared ownership of businesses through Employee Stock Ownership Plans, worker-owned cooperatives, and new models currently entering the market.

Employee Stock Ownership Plans (ESOPs). Businesses can expand the use of employee stock ownership plans or employee ownership trusts, which allow employees to buy company stock and share profits. Employees can sell company stock once they leave or retire, resulting in a potentially large asset transfer that they can invest as they wish. ESOPs have been associated with higher net worth, resilience against financial shocks, and higher retirement savings among participants.^{278 279} Policymakers can facilitate expansion of ESOPs 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.²⁸⁰

Innovators like Ownership America and Ownership Works have recently emerged with new approaches to converting existing successful small businesses to worker ownership, focusing on ESOPs. This holds great potential to overcome the primary barrier to scale, lack of available and affordable financing that making such changes requires. Ownership America is a nonprofit that pairs capital mobilization with state-based organizing and policy action.²⁸¹ It primarily focuses on ESOPs but also supports a broad variety of employee ownership structures, including cooperatives and trusts.²⁸² Ownership Works is a nonprofit that partners with financial industry leaders to create financing opportunities for existing small businesses to convert to employee ownership. It aims to mobilize \$20 billion in 10 years.²⁸³

Worker-owned cooperatives. A worker-owned cooperative is a shared ownership model in which workers collectively own and manage an enterprise. Not only are the employees running day-to-day operations, but they share in the profits based on their contributions and have a say in the company's decisions through democratic governance structure. Typically, workers join a cooperative by buying a share in the company through a one-time payment or payroll deductions, which they hold until they leave the company.²⁸⁴ Under this form of shared ownership, workers can maintain financial stability and grow their wealth through job security, company profits, and asset diversification through company shares.²⁸⁵ Worker-owned cooperatives are growing in the U.S., with roughly 600 to 1,000 cooperatives established in the U.S. covering about 10,000 workers as of 2021.²⁸⁶

Stock purchase plans and stock grants. There are additional shared ownership models to give workers access to company stock. Employee stock purchase plans allow employees to divert a portion of their income toward purchasing company stock at a discounted price. Not only can these plans improve workers' asset portfolios, but they can lead to potential tax savings. However, participation depends on workers' financial stability, as many may not be able to afford stock purchases despite the discounted rate.²⁸⁷ Another solution is to grant stock equity to employees as a form of compensation. While most of the benefits of this approach have typically gone to highly paid staff, there have been recent efforts by large companies to extend stock options to all employees.²⁸⁸

2 Expand shared ownership of real estate and neighborhood assets through Community Land Trusts, nonprofit Real Estate Investment Trusts, and cooperative developments, and fractional share-based investment products.

Community Land Trusts. Community land trusts (CLTs) transfer land ownership to a nonprofit organization or public agency.²⁸⁹ These entities can then build or rehabilitate homes that they sell 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 and stabilizes housing costs, allowing residents to save and invest more in other areas.²⁹⁰ Since there is a large opportunity for CLTs to preserve housing affordability in low-income neighborhoods where people of color are at risk of being displaced, they can also contribute to racial equity.^{291 292} CLTs have been shown to provide a stable source of homeownership among low-income owners, reducing both mortgage delinquency and foreclosures.^{293 294}

Community ownership of commercial real estate through nonprofit Real Estate Investment Trusts. As in a community land trust, commercial real estate can be acquired by an entity for the purpose of creating assets for community members in a legal structure called a Real Estate Investment Trust (REIT). But instead of providing homeownership, a REIT allows residents to purchase shares in the commercial property which grow with the property's value. One promising strategy to build community wealth through commercial real estate is the Community Investment Trust (CIT), a real estate investment product that enables local residents to build equity through shared ownership in real estate. These investments are distinguished by their affordability, offering short- and long-term returns, guaranteeing protection from loss, offering a financial education course, and providing a user-friendly stock offering and investment management portal.²⁹⁵ A model CIT, Plaza 122 in Portland, Oregon, has paid 9 percent in annual dividends and improved the credit scores of current investors.²⁹⁶ To scale these models nationally, more banks will need to partner with patient capital investment initiatives and update CRA laws to credit banks for providing direct letter of credit.²⁹⁷ Federal, state, and local governments can also create new or invest in existing institutions that can finance new enterprises in community ownership.²⁹⁸

Cooperative ownership of housing developments. Cooperative ownership of housing is a form of shared ownership in which residents collectively own their properties. Typically, a holding corporation or nonprofit that owns the property allows residents to buy shares of it or own it together, making them owners as well as building the resident owners' wealth by allowing them to benefit from appreciation.²⁹⁹ These structures often come with democratic governance over the property, allowing residents to have a say in property management.³⁰⁰ Collective ownership also allows properties to stay affordable by imposing limits on rent increases and property sales.³⁰¹ An example of a cooperatively-owned housing model is Resident-Owned Communities, in which residents of manufactured home communities form a nonprofit cooperative that gives them an equal share of the land beneath their homes and protects them from costly increases in lot rent.³⁰²

3 Expand shared ownership opportunities through fractional share-based investment products.

Fractional shares investment products. While stocks can be a significant source of wealth, they disproportionately benefit the wealthy. The top 10 percent of the population by wealth own 87 percent of all stocks.³⁰³ Two reasons for this are the prices and the risk associated with investing, both of which discourage people with lower income and less savings to buy shares.³⁰⁴ Fractional shares address these barriers by allowing investors to purchase a portion of a share in a company, with portions available for as little as one dollar. Wider participation in fractional shares has the potential to make stock market participation more equitable and offer greater asset diversification to low-wealth investors. To increase access to fractional shares, they should be expanded beyond publicly traded stocks to a variety of other assets. For lower-wealth households, products focused on dependable, well-understood assets including real estate and bonds may be most appropriate and appealing; more volatile assets such as cryptocurrencies, equity shares in startup firms, and fine art are less relevant and potentially higher risk. Government could also create systems to better connect people to high-growth fractional share investment opportunities that are currently only available to institutional investors.³⁰⁶



OBJECTIVE 8

De-Risking Investments and Protecting Assets

By 2050, low-wealth people will use products, services, and policies that reduce the risk that they face in investing their limited funds. Low-wealth households and people of color will materially and equitably benefit from public policy reforms and private market solutions that protect their assets from risks including discrimination, market volatility, economic crisis, and climate change.

As people build savings, acquire assets, and grow their net worth, they need the ability to maintain and protect their wealth from loss. For example, the value of retirement savings held in 401(k) plans or Individual Retirement Accounts plummeted by nearly \$3 trillion during the Great Recession, increasing the risk of financial instability for people planning to retire in the near term and those who were unable to rebuild their savings in the long term.³⁰⁷ Climate change also poses an emerging threat to home values and financial assets.^{308 309} Innovative insurance solutions are needed to protect personal assets against these shocks. 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. With more insurance options available—both public and private—people will be better able to maintain and recover wealth in the face of both contingencies and economic shocks, rather than experience a depletion of wealth.

Innovative, High-Potential Opportunities for De-Risking Investments and Protecting Assets

1 Expand insurance systems that enhance people's ability to protect their assets.

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

Participating in investment markets requires a certain degree of risk tolerance. Low risk tolerance is more likely among people with less wealth and financial stability, which denies them

the opportunity to grow their wealth through investing. Creating investment accounts available through government-funded public platforms with subsidized insurance could encourage risk-averse people to begin investing. The stocks held in these accounts could be insured by allowing the investor to sell at a pre-set price, effectively putting a floor on losses.³¹⁰

Create public insurance options for assets that are critical to household wealth. While the Great Recession wiped out trillions in wealth, there was potential for loss protection to undo a substantial amount of damage. To prevent such a calamity in the future, the federal government could enact public insurance options that protect key financial assets such as home equity and retirement accounts. Like unemployment insurance, this kind of asset insurance would pool the risks of wealth loss to ensure protection in the event of an economic shock.³¹¹

2 Expand insurance to protect assets from climate risk.

Invest public and private resources in insurance innovations to safeguard household wealth against natural disasters and the impacts of climate change. Climate change is leading to rising sea levels, prolonged heat waves, and increasingly frequent natural disasters that threaten to erode or even deplete asset values. 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. Some examples currently being explored include forms of compensation that automatically trigger during extreme weather events, pooling risks to reduce climate-related costs for consumers, national insurance, insurance schemes tailored to regional climate impacts, and better prevention through strategies like resilient construction. Risk assessments for various assets also need to incorporate climate effects as a standard practice so that they are financially viable and can adequately protect owners.

Conclusion

Creating a future of inclusive wealth—where every household has the wealth to maintain financial stability, be resilient, achieve their personal goals, and provide a legacy for children and community members—is essential for the future of American society, the strength of our economy, and the health of our democracy. As we write this in the Spring of 2023, most households are on the wrong wealth trajectory. At the median, all but the wealthiest 20 percent of U.S. households have with lower net worth now than 20 years ago. That is why our north star is so ambitious: increasing the wealth owned by households in the bottom half of the wealth distribution and by people of color by a factor of 10 will be the work of a generation. But is it possible. And it is imperative.

Imagine the world of 2050 when we achieve that goal. The typical American family has a level of stability that is all but inconceivable today. A generation of lower-income children is growing into adulthood without the trauma of intense material hardship, housing instability, or exclusion from opportunities, and each of them has thousands of dollars in financial assets to get them started in a life without debt. Housing discrimination, deeply entrenched in the United States for 500 years, is a thing of the past, and children's financial futures are no longer determined by the ZIP code into which they are born. Millions of new homes are available, and without the weight of \$1.7 trillion dollars in student loans, millions more families are building wealth through homeownership early in their lives. Almost all working-age adults have retirement accounts and confidence that they will enjoy a secure retirement. People could have faith in their ability to provide a legacy to the next generation.

In short, if we achieve each of the New Wealth Agenda's eight objectives, almost everyone across the country will have access to a supportive environment for wealth building, from young adulthood through retirement. Families will be able to count on stability, access to affordable care for children and other family members, and housing that fits their budgets, and their efforts to save and invest would pay off substantially for themselves and for their communities.

This is the future at the end of our audacious goal—and we want you to be a part of making it a reality. Join us as we come together to make a real change in the daily lives of those who own the least. Now is the time for us to work together around a shared understanding of the problem, to align our resources toward a common goal, and to grow the community of people who believe that they have a role in solving the problem of household financial insecurity.

In The New Wealth Agenda we offer on solutions designed to increase by ten-fold the wealth of households of color and those in the bottom half of the wealth distribution as a starting place. What are your additional solutions and innovations? Who are the leaders you would bring in? How would you make our shared goal even more ambitious? And, critically, how will you hold yourself—and all of us—accountable to do better than a status quo that has millions of U.S. families careening toward economic disaster?

Achieving success is possible. We have solutions. We have knowledge. We have ingenuity and passion. And we have to start now.

Methodology

To produce this report, Aspen FSP engaged in the following research activities:

Expert survey: We fielded a survey to Aspen FSP's network of experts that included questions to identify the most important problems and most promising sets of solutions to build wealth for the bottom 50% of the wealth distribution and close racial wealth gaps. The survey had a total of 84 respondents working in academia, nonprofits, philanthropy, and the private sector. The survey results were used to inform both the Solutions Lab convening and FSP's own process to identify the highest priority objectives and solutions.

Expert interviews: We interviewed more than 50 leaders, experts, and innovators working on every dimension of people's financial lives covered throughout this report.

Literature review: To identify which solutions would make the biggest difference, we combined insights from our expert survey and Solutions Lab with our own literature review. The focus of this literature review was to identify impact estimates associated with various potential solutions highlighted both by experts and in our previous report, 101 Solutions for Inclusive Wealth-Building. Three criteria ultimately determined which solutions were included in this report: 1) which solutions had the highest and most frequent estimates of impact, 2) where there was less evidence of impact, which solutions directly addressed a problem for which there was significant evidence that it would help achieve the objective, and 3) which solutions were most likely championed by Aspen FSP stakeholders.

Data analysis: For six of the eight objectives in this report, we offered indicators that serve as both a status check and measure of progress. These indicators were chosen from publicly available data based on how closely they proxied the concept within the objectives. We listed specific figures for these indicators for the country overall, by membership to the bottom half of the wealth distribution, and by race using either publicly reported estimates of a parameter of interest—such as medians or percentages—or through our own calculations using microdata where these estimates were not publicly available.

Future of Wealth Solutions Lab: From October 24-26, 2022, Aspen FSP and the Bridgespan Group co-hosted the Future of Wealth Solutions Lab, a convening attended by nonprofit and private-sector professionals working in a variety of fields important to building wealth. Participants engaged in activities to help frame the north star goal and eight objectives, and highlight the solutions needed to address objectives relevant to their areas of expertise.

Roundtable discussions with Aspen FSP's Community Advisory Group. Our Community Advisory Group (CAG) is a group of leaders with direct experience of financial insecurity who provide advice and feedback to Aspen FSP to ensure that our work is truly grounded in the needs and experiences of people who do not have financial stability or security. CAG members' feedback guided our prioritization of objectives and many of the specific solutions. (See <https://www.aspeninstitute.org/programs/financial-security-program/person-centered-insights/> for more information about the CAG.)

Survey of SaverLife members. In January 2023, Aspen FSP conducted a survey of 763 members of the nonprofit financial technology firm SaverLife about their assets, debts, financial challenges, and goals. SaverLife uses financial technology to support the individual savings journeys of people with low-to-moderate incomes, helping them achieve their financial goals. The organization regularly surveys users, including in partnership with organizations such as Aspen FSP. Survey respondents were paid \$20 to complete the survey. The results are not nationally representative but provide valuable insights about people with low-to-moderate income who are trying to save money.

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