

Keeping Dreams Alive: The Lane-Changer Costs of Financial Disruptions

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In 1998 Anna worked for a neighborhood community organization. She talked about her aspirations for her children:

“I’m...working class poor. There is no doubt about it...I’m [always] going to be...working class poor. I’m never going to be above and I’m never going to be below, and that’s why I’m focusing a lot of my money on my children’s education. Because I want them to go above. Not that stuck in the middle where I am.”

When we spoke to Anna in 2010, she proudly told us that prior to 2007, she had achieved the upward mobility so unimaginable to her in 1998. Anna’s steady work history and increased income—from \$39,000 to \$45,000 by 2006—allowed her to begin saving for retirement and place a down payment on a home. Hoping to increase her daughter’s economic mobility, along with scholarship assistance, she was able to pay for her daughter, Emily, to attend a private Catholic high school. But then in 2007 disaster struck. Anna’s health declined due to arthritis and it forced her to leave her job. Unable to work, she relied on her work-provided private disability insurance for a while and when that ran out she began to receive social security income. At \$29,000 a year social security was almost half of her annual working income.

Since then Anna has been on the brink of financial collapse including losing her home. She was able to prevent a foreclosure through the state’s loan modification program. She is now paying off credit card debt taken on to cover emergency home repairs. The potential for retirement security and homeownership giving Anna a measure of middle class status is slipping away and she now finds herself as she had predicted *“always...working class poor.”*

Introduction

Income-disrupting life events—divorce, unemployment, poor health, caregiving—occur far more frequently than we think with real costs and consequences for financial well-being. When access to personal and extended family wealth is limited these financial potholes have deeper consequences that shift life’s trajectories. Families curb aspirations and move onto a different, and in most cases, more limited path of opportunity. Retirement security is eroded. Children and parents take on significant student debt. Housing is imperiled. Dreams and plans are recalibrated. Families’ stability is jeopardized.

But not everyone experiences the same risk of income-disrupting life events. Nor do all families have the same depth of resources to navigate them. The result is these life events affect families differently. National data speak to the double disadvantage that low-, moderate-income, and families of color confront: a higher likelihood of experiencing such an event and less financial capacity to deal with it. For many households of color, low- and moderate-income families, despite following all the rules for financial security and mobility—obtaining a college education, working hard, owning a home and saving—hitting a financial pothole alters their lives dramatically and too often leaves them stuck in the breakdown lane.

It is difficult for many families to get ahead even at the best of times. National research shows that of those born in the bottom income quintile, over two-fifths remain in that same quintile throughout their lives; seven-in-ten never make it into the top half of the income distribution.¹ When faced with an income-disrupting life event, getting ahead is even harder. Just keeping your head above water becomes the priority.

This brief examines how families navigate potentially lane-changing life events like unemployment, and looks at the race and class implications of the unequal costs from such events. It explores how a family’s ability to limit the consequences of such an event is mitigated by its own access to resources. These resources include personal wealth, extended family wealth, and institutional resources such as unemployment insurance and food stamps. Since financial potholes are common key policy interventions are needed to build family resiliency, strengthen institutional supports, and keep opportunities alive in the face of life events. This brief draws on data from the *Leveraging Mobility* study and a nationally representative data-set from the Panel Study of Income Dynamics (PSID).²

For Some, Income Disrupting Life Events are More Frequent

Income disrupting life events are common. Nearly two-thirds of families in the *Leveraging Mobility* study experienced some kind of financial pothole during the twelve year period. One quarter of all families in the study experienced more than one of these financial potholes.

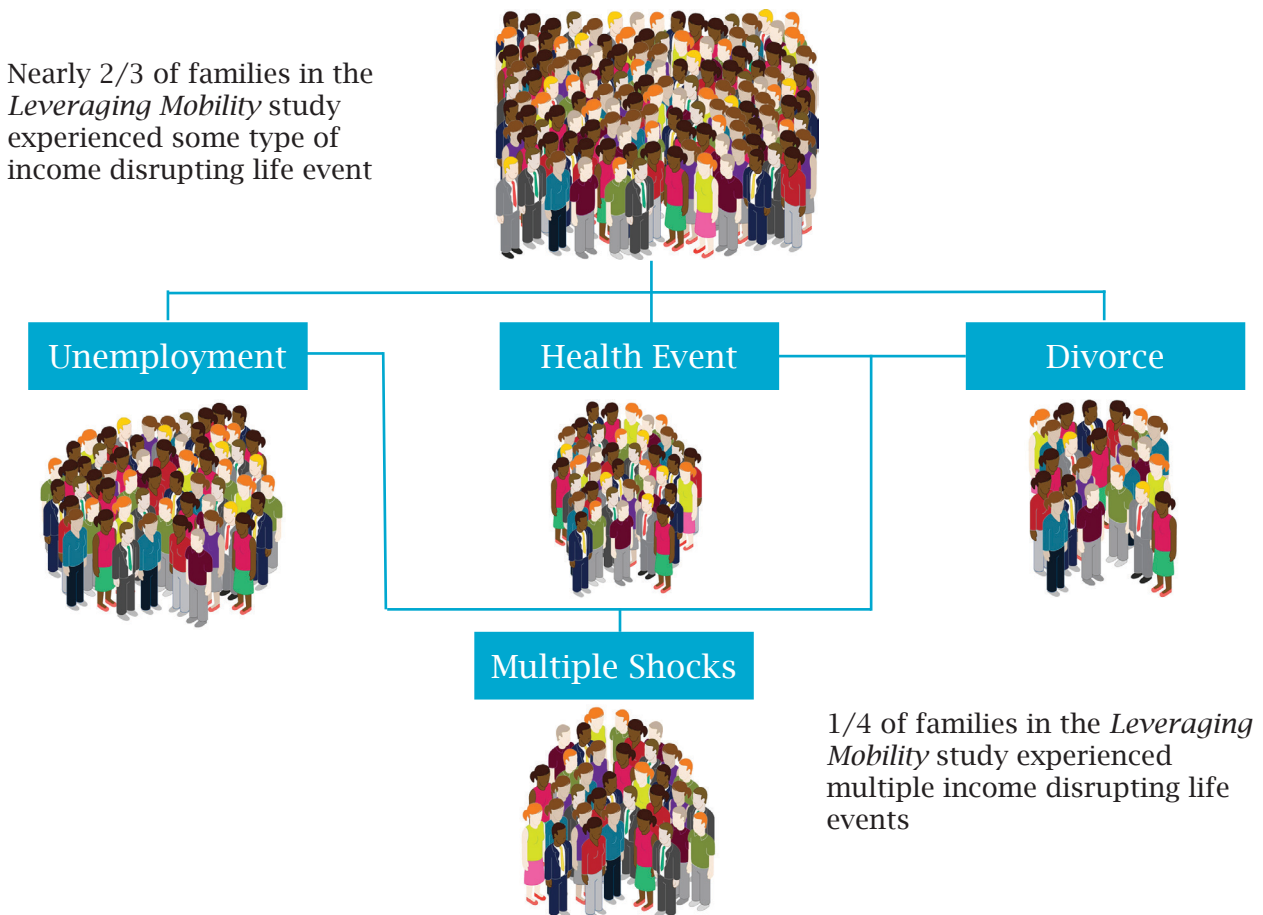
Unemployment is the most common financial pothole that alters life trajectories. While the official unemployment rate has ranged from 4.6% to 9.6% over the last 12 years,³ this masks the reality that during that time exactly two in five families had a working household member that experienced at least one incident of unemployment.⁴ In the *Leveraging Mobility* study, the percentage of families that experienced unemployment was comparable—just over two-fifths.

Some Families Are More Vulnerable to Financial Disruptions

Not all families are likely to experience financial disruptions at the same rate. Unemployment is a more frequent event for African Americans than for white families. The national unemployment rate in 2012 for African American workers was nearly double what it was for whites—13.8% for African Americans and 7.2% for whites.⁵ This trend is also reflected in longitudinal national data. Between 1999 and 2011 close to half (46%) of African American families experienced a period of unemployment, while just over one-third (34.6%) of white families did.⁶

Race is not the only characteristic that impacts a family’s likelihood of experiencing unemployment. The education level of the head of household is also a contributing characteristic. Families with more education are less likely to experience unemployment. In the national PSID data, two-thirds of households headed by someone with less than a high school education experienced unemployment over the study period (1999 to

Figure 1: Leveraging Mobility Study Income Disrupting Life Events⁷



2011); these families were twice as likely to experience a period of unemployment as a family headed by someone with a post-graduate education.⁸ While critical, education does not buffer job instability equally—African Americans have close to double the rate of unemployment than whites at every educational level.⁹

These trends play out in the *Leveraging Mobility* data. African American families experienced unemployment more often than white families. Families headed by individuals with lower levels of education had higher rates of unemployment than those with high levels of education. Other financial disruptions also plague families of color at higher rates. African American families and families with less education tend to have worse health outcomes, including more health shocks.^{10,11}

The Real Costs of Financial Potholes

While some families were able to increase their wealth despite unemployment, for many others unemployment led to wealth loss. The *Leveraging Mobility* study interviews suggest that families make decisions to maintain stability in ways that limit or trade off future opportunities for security and advancement. African American families more frequently experience these life events and have less wealth to mitigate the impacts of the events. As a result they bear deeper costs and consequences from life events.

Children’s mobility trajectories are shifted: National research demonstrates that parental unemployment significantly impacts children’s outcomes: test scores suffer, they are more unlikely to complete high school,¹² and less likely to attend college.¹³ The *Leveraging Mobility* study reveals that even though children may still attend schools and college, a life event can diminish the desired quality of the educational path along with educational opportunities: they may have to switch schools and the stress of parental unemployment may impact school performance negatively.

Many families in this study who made choices to live in a more affordable neighborhood with lower-quality schooling options, chose to pay for private schooling. When unemployment disrupted family incomes, some parents moved children out of higher resourced educational environments. Cash-strapped parents asked college-bound children to reconsider their college choices to accommodate the family’s new financial landscape by delaying attendance, starting at a community college instead of a four-year degree program, or matriculating based more on cost rather than fit. Unable to contribute planned income or savings to college tuition costs, parents used existing resources for present security; both parents and children also took on unplanned amounts of student loan debt.

National data reflect similar trends. Since the 2008-2009 academic year low- and middle-income parent contributions to college have gone down and children’s student loan borrowing has increased, likely as a result of many factors including increased experiences of unemployment.¹⁴ Increased levels of student debt impact the possible careers that students embark on after college in their need to manage their debt payments. The real cost is the probability of not finishing a college degree, left with a burdensome and often crushing student debt load.



Steve Barzak’s father, an African American World War II veteran, paid for his college education and graduate school at a top university through the GI bill. By the time Steve pursued his own education and then planned for his children’s, the kinds of access and opportunity provided by public investment in education typical of the WWII generation were in decline. Steve had to pay his way through college and was still burdened with student loan debt in 2010 at age 54. Hoping to ensure his daughters were not saddled with similar debt, he sent them to private secondary schools hoping to increase their likelihood of securing scholarships at top universities. When both Steve and his wife Christa lost good jobs at the start of the Great Recession they scraped enough together from family and friends to keep their eldest daughter in private school. Their younger daughter transferred to the local public school to finish her final two years of high school. Instead of contributing to college costs as he had hoped, Steve’s eldest daughter had to pay her own way through college, relying on scholarships and student loans in her name and some taken out by her parents. When asked which college the younger daughter will attend, Steve said “*The best of course*” and then modified, “*Well, financial [concerns] I would imagine would be primary.*”

The different mobility strategies of each Barzak generation mirrors the shift from public investment in opportunity institutions to an increasingly privatized system of opportunity, creating greater risks for those who can’t afford those institutions, and solidifying advantage for those who have the resources.

Table 1: Percentage of Participants Taking Hardship Withdrawals

Year	African American	Asian-American	Hispanic	White
2007	6.3%	0.7%	2.0%	1.1%
2010	8.8%	1.2%	3.2%	1.7%

Source: Ariel Hewitt Study 2012

Table 2: Hardship Withdrawals for 2010 by Salary

Salary	African-American	Asian-American	Hispanic	White
<\$30,000	6.3%	1.1%	1.9%	1.2%
\$30,000-\$59,000	11.9%	2.1%	4.6%	2.6%
\$60,000-\$89,999	7.1%	1.1%	3.3%	1.4%
\$90,000-\$119,999	4.1%	0.4%	1.4%	0.7%
\$120,000+	2.4%	0.3%	0.6%	0.4%

Source: Ariel Hewitt Study 2012

Parental retirement security is eroded: As a response to unemployment families dip into, and in some cases cash-out, their retirement savings. This disrupts the savings momentum and endangers their retirement nest egg. One study revealed that over the period of the Great Recession when unemployment was much higher than normal, the number of families that withdrew money from their retirement accounts for hardship increased significantly. More African Americans and Hispanics withdrew funds than did white families.¹⁵ Of those families in the *Leveraging Mobility* study that experienced unemployment, two-fifths used personal assets to manage daily needs—one quarter of these families withdrew money from their retirement accounts.

Tori Millen was one of those African American families that withdrew money from her retirement account to make ends meet when she was laid off by her company without receiving severance pay. In 1998, she was a health care worker with a full-range of benefits including retirement and health insurance. Unemployed for six months in 2010, with no job on the horizon, she had already drawn down her retirement savings and depleted her cash savings to make ends meet. Her daughter helps out by chipping in money for food. Tori's modest asset cushion, built up over twelve years, was wiped out when she hit this financial pothole. When she finds another job, if she has access to retirement savings accounts, she will begin building her assets again from square one, her future retirement security compromised by her experience of unemployment.

Pressures from income-disrupting life events increase instability as families break

up or double up: Unemployment often compels families to make hard choices that impact family structure. Unemployment doubles the rate of family break-ups and increases the rate of doubling-up¹⁶ by nearly the same factor. Steve and Christa Barzak, mentioned earlier, told us they split their family up to qualify for public assistance benefits. Another family in the study, the Johnsons, also had to split up to handle a period of unemployment, Michelle moving to a family home and Bob following an out-of-state opportunity to get work. He was successful and they are slowly working their way into financial stability. But being apart has taken a toll on their marriage.



Homes are put at risk: Unemployment is a major trigger that can lead to a family losing their home to foreclosure.¹⁷ Steve and Christa Barzak managed to avoid foreclosure, but they only did so by selling their house in a short sale, losing the money they had invested in it. While another study participant, Patricia Arrora managed to buy a home with the help of city homeownership programs. Loss of income due to her husband's unemployment put them at risk of losing their home. A government loan modification program has helped her hold onto her home, at least for a while, letting her keep a tenuous hold on the dream of passing on a home to her daughters.

Extended family receives less or no help: Wealth and resources flow around family networks.¹⁸ When a family experiences unemployment it is not just the immediate family that suffers. Other family members who have been relying on help are also impacted. To ensure she did not lose her house, Patricia Arrora, mentioned above, stopped financial contributions to her adult son and his family. She had been sending him money to assist with bills such as paying for car repairs or helping out with food. To make it easier on herself and her son she sent him a card making light of it but driving the point home.



Income-disrupting unemployment has real costs. Families are forced to make decisions to preserve immediate well-being when they do not have other resources to draw on. Those decisions change trajectories. Some families avoid having to make decisions that impact trajectories because they can draw on their own or extended family resources when they face a financial pothole. They have the means to absorb the financial shocks.

Who Recovers and Why

Financial potholes can be lane-changer events with real costs. But when families have access to shock absorbing resources (see Figure 2)—individual wealth, extended family wealth, institutional resources—financial potholes become a momentary bump in the road, allowing family members to maintain immediate economic security as well as longer-term aspirations.

Individual and Extended Family Wealth Absorbs the Shock From Income Disrupting Life Events

Not everyone is severely impacted from similar life events. Families with significant stores of personal or extended family wealth are able to ensure that unemployment does not steer them into the breakdown lane. These personal and extended family assets can determine whether a financial disruption turns into a breakdown event, or is just a bump in the road.¹⁹ Families with ample savings can keep the lights on and pay for food when income is disrupted, and wealthy extended families can contribute to college tuition preventing the child of an unemployed parent from burdensome student loans. Wealth can limit costs and consequences for families when they hit a financial pothole.

Sufficient personal financial assets provide a buffer: Families who have ample liquid savings, retirement savings, or home equity fare better and fend off trading future mobility opportunities for meeting immediate living expenses. Christine and Langston Mellon were one such family: they were able to buffer income instability and a health event with their accrued home equity. Trying to make it as a writer, Langston has been in and out of the workforce. In 1998 they recently purchased a house which they were able to afford by having a family member live with them. By 2010 they sold the house netting \$387,000 and bought a less expensive home in a neighboring area of the city. The cash from the sale of their home allowed them to pay off large credit card debt that they had accumulated during those periods of unemployment and they were able to put over \$200,000 into savings. Then Christine was diagnosed with cancer and had to leave her job. Fortunately, they were able to use their substantial savings to cover lost income and stay on track despite hitting several consecutive potholes. Although they will have to make some decisions about how to finance their daughter's college education, their large pot of personal savings allowed them to keep their home without drawing on extended family for help.

While Christine and Langston had significant assets they could draw on, Tori Millen (previously mentioned) had savings that were much more modest. A vigorous bout of unemployment was enough to completely wipe out those savings. Research shows that some savings help to reduce material deprivation in a financial emergency²⁰ but having sufficient personal savings is critical to staying on track and keeping family members' dreams alive.

Figure 2: Staying on the Road



Extended family wealth provides a bridge to stability: Access to extended family resources through in-vivo transfers or inheritance protects families from the potential impacts of hitting a financial pothole. Instead of forcing a family into the breakdown lane, they can keep on cruising—the potholes are more of a bump in the road. There were a few such families in our sample. Morrai and Quinn Bateman had very wealthy parents. When Morrai experienced periods of unemployment, Quinn would ask for help from her father so that they could keep their child in private school, ensuring their daughter did not have to disrupt her education, and solidifying the social advantages gained in that environment. Drawing on the resources of a wealthy family network was a strategy that Morrai and Quinn could use, enabling family members to keep on track despite Morrai’s inconsistent income.

Other families did not need to activate such networks because they were bequeathed large inheritances. Reflected as personal asset holdings, these large inheritances meant that disruptions to work did not impact family members’ dreams: there was sufficient capital income to keep family members’ aspirations on track. Jessica and Nicole Bzdell inherited a million dollars in stock shortly before Jessica suffered a health problem that forced her to stop working. The income from the inherited stock meant that Nicole could still work part-time in a job she enjoyed and they could afford all their other living expenses including health insurance.

Institutional Programs in Conjunction with Personal and Extended Family Wealth Help Prevent Income Disruptions From Pushing Families Towards the Breakdown Lane

Steve and Christa Barzak were one of those African American families who did not have sufficient assets or wealthy extended family members to help them get through their stint of unemployment. Although they had some personal financial assets, they spent these down quickly. Without additional financial support from family members, and only a short period of unemployment insurance, they fell far enough to need safety net programs. Christa was very surprised that she had to get food stamps to support her family. *“When you grow up a certain way and you go to college, never in your wildest dreams do you ever think or consider public assistance.”*

Many families in the *Leveraging Mobility* study that experienced unemployment drew on a variety of different federal, state, and community level programs to survive a breakdown event. Families drew on a range of government programs from unemployment insurance to food stamps. Of the 60 families in the study that were unemployed more than half drew on the government programs listed below for some support.

Government Programs

- Unemployment Insurance
- Disability (SSDI/SSI)
- Housing Choice Voucher Program (formally known as Section 8)
- Health Insurance (Medicaid and Medicare)
- Rehabilitation programs (Mass Rehab)
- Americorps
- TANF
- Community Action Agencies
- Loan Modifications
- Stimulus programs

These families often relied on government resources alone, and at other times relied on programs in conjunction with personal assets and extended family wealth. Although the public safety net prevented most families from ending up on the street and going hungry, the cost was often a changed and downward trajectory—what we call downward mobility. As a result, even with government support, the income disruption of unemployment required families to make tough decisions that compromised future opportunities and long-term economic security.

When public support did prevent a financial pothole from leading to a downward trajectory, it was in conjunction with a family's own wealth and extended family help. The Coudeau family provides an example. Sonia was laid off when her company was sold. Then her husband Bob's health declined. Two income-disrupting events in a row meant they fell behind on their mortgage. Bob described how it all happened:

My wife lost her job, and she went on unemployment...Then I got sick, and I had quadruple bypass surgery...So that was a teeth kicker right there...the family took a blow...I had some help from my family..."

Help from his family, unemployment insurance, and Bob's secure job with good health insurance kept the family afloat. Without these supports they might have had to use their retirement savings and they may have lost their home to foreclosure.

Those families that had to rely on government support alone often felt economically insecure and found themselves scrambling to meet monthly bills. These were families that had to change their children's school; they had to sell their house; they had to split up the family. These families had insufficient personal or family assets to draw on through the length of their income disruption.

While unemployment insurance helps families when they lose a job, it is time limited. Like Steve and Christa Barzak, one-third of families who are still unemployed when it runs out rely more on safety net programs like food stamps.²¹ The set of safety net programs in the U.S.—food stamps, Housing Choice Voucher Program (formally section 8 housing assistance), disability, TANF—are such that to qualify in some states, a family must not hold more than a certain amount of wealth. In other words, if they formerly had a rainy day fund or money put aside for their future, to receive assistance they had to use it up putting them far enough off-track to be financially stalled in the breakdown lane.

African American Families are Less Likely to be Able to Draw on Shock Absorbing Resources During Life Events Like Unemployment

Personal and extended family wealth can absorb the shock from a financial pothole. With fewer financial resources to draw on—less personal financial wealth,²² and less well-resourced extended families²³—African American families are less likely to have sufficient personal or extended family shock absorption systems. The reasons for having less wealth are many: research has shown that African American families receive fewer and smaller inter-generational transfers, see less home equity accumulation, are employed less often in employment capital rich jobs, and have higher rates of unemployment.²⁴

Despite making up a larger percentage of families experiencing income disrupting life events such as unemployment, African American families are also less likely to receive institutional resources like

unemployment insurance than are white families.²⁵ Research suggests this is in part because African American workers are more likely to perceive that they are not eligible to receive benefits.²⁶ Tori Millen, introduced earlier, may have been one of those who did not qualify or did not know she could apply for unemployment insurance. Despite having a quality job with benefits, she was not receiving unemployment insurance six months after she was laid off. She used up her modest savings quickly turning to adult children to help with household bills.

Not only are African American families more likely to be unemployed and have fewer personal assets and less wealthy networks to draw on, but they are also less likely to receive key government and institutional supports while unemployed. The picture becomes clearer of how unemployment and other financial potholes can be such lane-changers for families of color, dampening mobility, corroding living standards, and contributing to the growing racial wealth gap.



Income disrupting life events like unemployment are more common than we think and in the absence of personal and extended family wealth, have adverse consequences for long-term mobility and living standards. Inequitable distributions of health, employment, personal, and marital events that disrupt income, are more frequent for families with low education and families of color. With fewer resources (personal, extended family, or government) to draw on, these families are more likely to experience the lane-changing impacts of a spell of unemployment or a health event and less likely to mitigate the costs to stay on track. The experiences of families in the *Leveraging Mobility* study tell us that in the absence of personal and extended family assets, government support is not enough. This finding points to a need to expand and retool both the private and the public support systems that help families during an income disrupting event like unemployment.

Terms Used in This Series

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

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

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

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

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

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

Policy Implications

While the ideal way to move forward is to reduce the frequency and impact of income disruptions, we know that to a greater or lesser degree these financial potholes will occur with some regularity throughout the life course. The question turns to: what kinds of change in policy and practice can help secure present and future opportunities for families navigating life's financial potholes? As discussed below, two areas of focus may reduce the consequences and costs of these family disruptions. First, policy should focus on strengthening the available shock absorption systems to increase the capacity of families to stay on track. Second, for those involved in time limited mobility building efforts, policy can strive to keep these opportunities advancing in the face of income-disrupting life events.

Increase the Capacity of Families to Stay on Track

The data in this brief point to the need for strengthening families' shock absorption systems so that financial potholes do not burst tires and force changes in life trajectories. Three policy directions can build a strong shock absorption system for family financial resilience.

Strengthen Family Resiliency By Creating Tax-Preferred or Matched Emergency Savings Accounts

A good resilience system relies on families having some personal savings that can smooth out income disruptions. Asset security is holding enough liquid wealth to maintain 75% of basic household costs for three months, including unemployment insurance.²⁷ These savings should ideally be liquid and easily accessed, such as in a savings account. Developing unrestricted savings accounts that are tax preferred up to a set dollar amount would help families to build a "precautionary savings account" that could be accessed in times of crisis. The Financial Security Credit is one proposal to create targeted savings accounts for low-to moderate income families that allows for flexible and matched savings.²⁸

The **Financial Security Credit** would support low- and middle-income individuals and families to invest savings at tax time by:

1. Allowing households without a pre-existing account to open one directly on their federal income tax form.
2. Supporting a variety of restricted savings products, including IRAs, 401(k)s, 529 College Savings Plans, Coverdell Education Accounts, U.S. Savings Bonds, and certificates of deposit.
3. Matching every dollar that low- and moderate-income tax-filers deposit in a designated savings product up to a \$500 annual maximum.
4. Depositing the matched credit directly into a designated account.²⁹

Build Community Wealth Pools

Families turn to aunts, uncles, grandparents, or siblings in times of need. But when these resources are not available, the only other avenues tend to be expensive loan products or deprivation that forecloses on a family's opportunity structure. Establishing and expanding pooled community funds that families can turn to when faced with qualifying income-disrupting events (e.g. widowhood, health events, unemployment) could help to reduce some of the immediate hardships and opportunity disruptions from a financial pothole. Foundations have innovated models such as the St. Paul Foundation's Community Sharing Fund which provides emergency stop-gap resources,³⁰ or the informal lending circles or "cestas", a communal alternative to traditional banking organized by many immigrant groups. These provide good models of wealth-sharing pools that can be formalized and scaled up.^{31, 32}

Strengthen Targeted Institutional Programs to Support Families During Income Disrupting Events

Many existing public programs target income disrupting events but they have asset limits that prevent families from qualifying. Unemployment insurance helps many families facing unemployment but is not available to everyone who loses a job. Disability programs (public and private) help workers to replace income and retrain them. Neither of these programs absorb enough of the income shock to prevent lane changes. Even while receiving unemployment insurance or disability, families interviewed experienced significant financial hardship and were forced to make decisions that limited children's future opportunities and their own retirement security. Specific recommendations to strengthen institutional resources include:

- **Expand unemployment insurance to increase its coverage of the workforce and increase the ease of filing by all employees losing a job.** States set the parameters for when a worker qualifies for unemployment insurance, determined by the amount of base income a worker earned during the previous 12 months of employment. Some states have updated their program qualifications to better meet the needs of the current workforce, while others have not. As a result a large percentage of part-time and contingent workers are not eligible for unemployment insurance. Federal law reform could increase the number of workers eligible for the program.³³ Workers often do not realize that they qualify for the program. Increasing public awareness about eligibility and how to file could increase the numbers of families receiving these benefits.
- **Provide programming/counseling to help families with effective financial planning when they hit the potholes of unemployment, disability or other income-disrupting events.** Under such a proposal all unemployed individuals would be able to access free financial counseling. Such counseling could be provided through existing infrastructure such as consumer credit counseling services and other asset building community resources.
- **Provide paid family leave** to ensure that workers can take time to care for family members while maintaining their employment.
- **Provide small dollar loan programs** through a variety of avenues including credit unions, banks, and the workplace. Access to low-cost and flexible small dollar loan programs would provide the means to cover qualifying expenses during a period of unemployment and prevent having to use more expensive and inflexible products such as credit cards or payday loans. These can also help keep individuals from becoming unemployed by providing short-term funds for things like car repairs.
- **Maintain the current loan modification program for unemployed families** to allow unemployed families to get back on track and have some flexibility in their mortgage payment plan.
- **Provide qualified low- to moderate-income families receiving unemployment insurance an additional housing voucher to help prevent defaults on their mortgages.**³⁴ Such a policy would allow low- to moderate-income unemployed families more of a cushion as they recovered from unemployment.

Keeping Dreams Alive in the Face of Life Events

Too often a life event means a family is stuck in the breakdown lane unable to get back on track. The opportunities formerly available to family members become constrained—children are not able to attend hoped for colleges, homes are lost, retirement security is eroded. Policy has a role to play in creating structures that ensure family members can pursue opportunities despite experiencing an income-disrupting life event. Programs could be expanded that:

- 🌀 **Enable Unemployed Workers to Retrain and Locate Jobs with Opportunities to Build Wealth (Employment Capital).** The Department of Labor already has programs that are targeted to retraining workers; for example, the \$2 billion community college initiative.³⁵ Expanding the reach of these programs would help workers rebound from an experience of unemployment more quickly.
- 🌀 **Finance Children’s Post-High School Educations Through Targeted Expansion of Pell Grants.** Targeted expansion of Pell grants and subsidized loans to families who have experienced a qualifying income disrupting event could help finance children’s secondary education and ensure that children’s trajectories are not impacted by their parents’ financial disruptions.
- 🌀 **Assist Families that Have Lost Their Homes in Finding a New Permanent and Affordable Home for Rent or Purchase.** The vibrant system of housing counseling and real estate agents throughout the U.S. could provide the platform for offering relocation services when a family is evicted from their home as a result of being unable to pay rent due to an income-disrupting life event.
- 🌀 **Encourage Families to Rebuild Retirement Security** through government matched retirement contributions up to a cap through a tax credit system similar to the Earned Income Tax Credit. Current proposals include establishing a universal 401K in which low- and moderate-income savers receive government matched funds.³⁶ Such a model could provide a vehicle for an additional match for families that have experienced unemployment up to a cap.



A World With Fewer Potholes

While this brief speaks to the ways that families navigate financial potholes, the bigger question that it does not address is how to create a world with fewer financial potholes. Underlying structures create disparities in whether families drive along better paved roads with fewer potholes, or poorly maintained roads riddled with holes. Although this brief does not explore these underlying structures, the data do support findings from studies that point to macro-economic conditions that explain why some families experience more financial disruptions during their lifetimes than others. Work done by other researchers’ points to strategies policy-makers could use to address these structural inequities discussed in this brief³⁷ such as enacting paid family leave, increasing access to quality jobs, reducing inequities in access to community health services, and reducing health impacting exposure to environmental pollutants in neighborhoods and workplaces. These are the kinds of policies that would prevent the financial potholes in the first place, preserving the shock absorption systems for harder to prevent income disrupting life events.

About the Leveraging Mobility Series

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

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

Following are teasers of the next briefs and reports to be released in 2014.

The Private Social Safety Net: The Impact of Extended Family Wealth on Family Financial Security

The asset field challenges how economic security and well-being is measured and understood. A fuller picture emerges when we include household wealth. The interview data suggest fluid movement of wealth within kinship networks, implying we need a broader view of how surveys currently measure wealth flows. By understanding wealth flows around kinship networks in greater depth we get a more complete picture of how a family faces economic challenges and how they might be able to take advantage of opportunities for mobility. This brief will explore the myriad ways that extended family support—both direct and indirect financial support—help families maintain income, financial security, and build opportunities for the next generation.

Changing the Rules of the Game: Homeownership and Wealth: Homeownership has historically been the means to build wealth in the U.S. Our interviews confirm that the wealth built from homeownership has converted into other forms of security and well-being, allowing families to renovate their homes, send their children to college, start a business, and save for retirement. But volatile and uneven home prices and neighborhood decline has left some families with a liability rather than an asset. In the *Leveraging Mobility* data we see examples where homes continue to be a source of wealth, where homes are simply a place to live, and where homes are a liability. This brief will explore the new reality of owning a home for families in the twenty-first century and whether homeownership can still provide the same wealth benefits promised in the twentieth century.

End Notes

¹Pew Charitable Trusts. November 2013. “Moving On Up: Why Do Some Americans Leave the Bottom of the Economic Ladder, but Not Others?” Pew Charitable Trusts. Washington DC. Retrieved from http://www.pewtrusts.org/uploaded_files/wwwpewtrustsorg/Reports/Economic_Mobility/Moving_On_Up.pdf.

²We created a national longitudinal data-set from the Panel Study of Income Dynamics including families that were present in the survey between the years 1999 and 2011.

³Bureau of Labor Statistics. “Labor Force Statistics from the Current Population Survey.” Accessed: April 7, 2014.

⁴PSID data analysis by Laura Sullivan.

⁵U.S. Bureau of Labor Force Statistics. 2012. “Labor Force Characteristics by Race and Ethnicity.” Report 1044. Bureau of Labor Statistics. October 2013. Retrieved from <http://www.bls.gov/cps/cpsrace2012.pdf>.

⁶There are many reasons that African Americans are more likely to be unemployed. African American families are more likely to experience long-term unemployment, and less likely to have needed resources to help them be active in their job search—resources to pay for transport and clothing for interviews, for example. http://www.dol.gov/_sec/media/reports/blacklaborforce. African American workers tend to be “last hired” and first fired, and sectors that African Americans more often work in have been more sluggish in growth. Weller, C. and Fields, J. 2011. “The Black and White Labor Gap in America: Why African Americans Struggle to Find Jobs and Remain Employed Compared to Whites.” Center for American Progress. Washington DC.

⁷The examples in the graph are not an exhaustive list. Other events that families in our sample did not experience that may constitute an income disrupting event may include: widowhood, death of a child, natural disaster.

⁸PSID data analysis by Laura Sullivan.

⁹U.S. Department of Labor. 2012. “The African-American Labor Force in the Recovery.” February 29, 2012. Retrieved from http://www.dol.gov/_sec/media/reports/blacklaborforce.

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¹³Coelli, M.B. 2010. “Parental Job Loss and the Education Enrollment of Youth.” *Labour Economics* 18, no. 1. Retrieved from <http://ideas.repec.org/a/eee/labeco/v18y2011i1p25-35.html>.

¹⁴Ipsos, S.M. 2013. “How America Pays for College.” Washington DC. Retrieved from https://salliemae.newshq.businesswire.com/sites/salliemae.newshq.businesswire.com/files/doc_library/file/Sallie_Mae_Report_-_How_America_Pays_for_College_Report_FINAL_0.pdf.

¹⁵Ariel Hewitt study. 2012. “401(k) Plans in Living Color: A Study of 401(k) Savings Disparities Across Racial and Ethnic Groups.” <http://www.arielinvestments.com/401k-Study-2012>.

¹⁶Pilaskas, N.V., Garfinkel, I., McLanahan, S.S. 2013. “Doubling Up as a Private Safety Net for Families with Children.” Working paper retrieved from <http://crrw.princeton.edu/workingpapers/WP13-13-FF.pdf>. Wiemers, E. E. 2011. “The Effect of Unemployment on Household Composition and Doubling Up.” National Poverty Center Working Paper. Retrieved from http://www.npc.umich.edu/publications/working_papers/?publication_id=208&.

¹⁷Mortgage servicers are usually limited in their capacity to provide a grace period for families going through a period of unemployment or reduced income from a health problem. The government loan modification program has provided some more flexibility, but it is often not enough to help families with moderate to long-term reduced incomes.

¹⁸Chiteji, N., and Hamilton, D. 2005. “Kin Networks and Asset Accumulation.” in Michael Sherraden’s edited volume: *Inclusion in the American Dream: Assets, Poverty, and Public Policy*. Oxford University Press.

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About the Institute on Assets and Social Policy

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

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

For more information about this series, please contact Hannah Thomas at hthomas@brandeis.edu.

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The logo for the Institute on Assets and Social Policy (IASP) features the letters "IASP" in a bold, dark red serif font. The letters are positioned on a white triangular background that points to the right, set against a solid gold background.

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