

2 out of 3 middle class American families on shaky financial ground, according to new report

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Fewer than one in three middle-class families in America is financially secure, and the remaining majority are either borderline or at high risk of falling out of the middle class altogether, according to a new study published this week by Demos and the Institute for Assets and Social Policy (IASP) at Brandeis University.

By a Thread: The New Experience of America's Middle Class is the first comprehensive report to measure economic stability across the American middle class. Based on national government data, *By a Thread* is the first in a series of reports and briefing papers that will utilize the new "Middle Class Security Index" developed by the non-partisan policy center Demos and IASP/Brandeis.

This Index measures the financial security of the middle class by rating household stability across five core economic factors: assets, educational achievement, housing costs, budget and healthcare. Based on how a family ranked in each of these factors, they were defined as financially "secure", "borderline" or "at risk".

"Much like a common cholesterol test that shows whether someone's cardiovascular health is at risk, the Middle Class Security Index shows that financial health eludes the majority of the American middle class," said Thomas M. Shapiro, Director of the Institute on Assets and Social Policy at Brandeis and one of the co-authors of the report. "It also

points to specific areas—like lack of assets—that inhibit financial security,”

The Middle Class Security Index shows worrying trends:

-- Only 31 percent of families who would be considered middle-class by income are financially secure.

-- One in four middle-class families match the profile for being at high risk of slipping out of the middle class altogether.

-- More than half of middle-class families have no net financial assets whatsoever.

-- Middle-class families have median debt of \$3,500 and at least half of them have no assets.

-- Only 13 percent of middle-class families are secure in their asset levels—meaning that they have enough to cover most of their living expenses for nine months should their regular income cease; 79 percent are “at risk” in this category, meaning they could not cover the majority of their expenses for even three months. Another 9 percent are “borderline.”

-- Twenty-one percent of middle-class families have less than \$100 per week (\$5,000 per year) remaining after meeting essential living expenses. These families are living from paycheck to paycheck with very little margin of security

The participants of a press conference to launch the report commented on these findings:

"If we look back at the public investments of the mid-twentieth

century—the GI Bill, federal home loan guarantees, better funding for public education and college—we see that they were geared at two key benchmarks on the way to the middle-class: assets and education,” said Henry Cisneros, Chairman of CityView and former U.S. Secretary of Housing and Urban Development. “But the Middle Class Security Index provides a real measurement of where we are after years of seeing those investments whittled away. American families are at risk of falling out of the middle class and never getting back in, and many of those who were excluded from the initial public investment—Latinos and African Americans—are among those with the greatest vulnerability. It’s time for a new public investment to stabilize the household economy and build the future middle class.”

“The By a Thread report findings mirror a reality of today’s unstable economy: The nation’s mortgage lending crisis is threatening the fabric of the urban communities that we revitalized by providing economic opportunity for more than 30 years. The ramifications of foreclosures on property values, municipal costs, crime, and consumer credit extends beyond the middle class and the neighborhoods most widely impacted by irresponsible lending practices,” said Jean Pogge, Executive Vice President, Consumer and Community Banking for ShoreBank.

"Workers in America are suffering a now generation-long stagnation of wages and rising insecurity," said Ron Blackwell, Chief Economist at AFL-CIO. "By a Thread provides a unique metric for the resulting stress on middle class living standards and outlines bold policies to create an economy that works for all."

The Middle Class Security Index findings reported in By a Thread spotlight the strengths and vulnerabilities of the middle class by identifying barriers to financial security and offering solutions that would enable the broad majority of American families to enjoy a stable middle-class life. The report recommends a set of policies that will help

open access to, and strengthen, America’s middle class. Legislative proposals cover a range of important issues affecting American households, including asset building and debt reduction, making higher education more accessible and affordable, and addressing the healthcare crisis.

“The Index is the launching point for a range of new work that will examine economic stability in America’s middle class,” said Jennifer Wheary, Senior Fellow at Demos and report co-author. “In the coming months we’ll be adding new reports that illuminate middle- class stability by age, race and income—several of the key demographic factors that will inform future public policy investments.”

The Middle Class Security Index will be updated biennially, with accompanying reports, as new national data become available.

Source: Brandeis University

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