Nearly two-thirds of American children live in asset poverty, new study shows

February 21 2019, by Michelle Klampe

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More than 63 percent of American children and 55 percent of Americans live in "asset" poverty, meaning they have few or no assets to rely on in the event of a financial shock such as a job loss, a medical crisis or the recent federal government shutdown, new research from Oregon State University indicates.

When families lack assets such as vehicles, homes, savings accounts or investments, weathering a financial crisis is that much more difficult, said David Rothwell, an assistant professor in OSU's College of Public Health and Human Sciences.

"This is a dimension of financial security that we don't think about that much, and it's pretty high," Rothwell said. "The findings highlight the extent of financial insecurity among American families. These shocks ripple through the family and down to the children."

The study is believed to be the first to explore asset poverty among American children. It was published recently in the journal *Children and Youth Services Review*. Co-authors are Timothy Ottusch of the University of Arizona and Jennifer Finders of Purdue University.

Rothwell studies poverty and its impact on families and children. Experiencing poverty in childhood can have lifetime impacts for those children; past research has shown that children who grow up in poverty are more likely to struggle in school, have lower job earnings throughout life and experience family instability as adults.

A growing body of research suggests that parents' asset levels also predict academic achievement, educational expectations and likelihood of college enrollment and graduation. Families with assets that can be used when income is disrupted are also likely to experience less financial stress and strain.

Yet asset poverty is higher than income poverty for children and families. In a 2018 study of Canadian families, researchers, including

Rothwell, found that asset poverty was two to three times more prevalent than income poverty. Families can have adequate day-to-day funds but be asset-poor and would likely struggle during a financial shock.

"Recessions, natural disasters, government shutdowns ... these things happen," Rothwell said. "What we're looking at is what tools families have to respond when these events take place. It's almost like an insurance mindset."

Assets can provide insurance against unexpected events, and they also promote long-term social development, Rothwell noted. People behave differently, and they are treated differently, when they are financially secure and have assets to rely on, he said.

Using data from the Luxembourg Wealth Survey, researchers analyzed income and asset data from more than 250,000 households in the U.S., Australia, the United Kingdom, Finland, Italy and Norway.

The United States and Australia had the highest rates of child asset poverty, at 62.9 percent each, followed by the United Kingdom at 52.2 percent, Italy at 48.9 percent and Finland at 47.6 percent. Norway had the lowest rate, at 34.4 percent.

Researchers found that in three of the six countries, more than half of all children live in asset poverty. In all the countries, children of single mothers are most at risk.

"There's some variation between the countries, but all of them are high in asset poverty among children," Rothwell said. "Children are in a vulnerable position."

The researchers also found that U.S. children are more likely to live in asset poverty than similar children in other countries, even after controlling for other factors.

"In a global context, the fact of being born in the U.S. puts you at higher risk for asset poverty," Rothwell said. "It's especially difficult for families in the U.S. because the social safety net is so thin. Other countries have more robust health insurance systems, unemployment, housing and other social supports."

Rothwell noted some cities and states are taking steps to encourage residents to save more and help build their assets. For example, the state of Oregon recently launched OregonSaves, a program to help people save for retirement. In San Francisco, the city, county and school district have partnered on a college savings program where a college savings account is opened for each child entering kindergarten, with the city and county kicking in the first $50. Families can add more.

There are also a number of federal proposals for child development accounts, which are savings or investment accounts that begin as early as birth and may include public and/or private matching funds. The goal of these accounts is to promote savings and asset building for lifelong development; the funds may be targeted for such things as post-secondary education or home ownership.

"The prevalence of asset poverty suggests a need for innovative policies to offset short-term insecurity and promote long-term development," Rothwell said. "The current policy demonstrations have potential to improve the life chances of children."

More information: David W. Rothwell et al, Asset poverty among children: A cross-national study of poverty risk, *Children and Youth Services Review* (2018). DOI: 10.1016/j.childyouth.2018.11.045

Provided by Oregon State University