

# 76 percent of American middle-class households not financially secure

24 November 2008

As the economy continues to reel, a new report finds that 4 million American households lost economic security between 2000 and 2006, and that a majority of America's middle class households are either borderline or at high risk of falling out of the middle class altogether. The new report, "From Middle to Shaky Ground: The Economic Decline of America's Middle Class, 2000-2006" was published by the policy center Demos and the Institute for Assets and Social Policy (IASP) at Brandeis University.

"From Middle to Shaky Ground" is based on the Middle Class Security Index, co-developed by Demos and IASP/Brandeis, which uses government data and 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". In addition to the report, Demos and IASP/Brandeis have published an "Economic Security Scorecard" that the average family can use to measure where they fall on the Middle Class Security Index.

"The increases we're witnessing in housing costs and the number of families who lack health insurance, coupled with the extreme volatility of the average household's savings, show that a large percentage of America's middle class are not well equipped to weather this current economic storm," said Jennifer Wheary, one of the report's co-authors and a Senior Fellow at Demos.

"From Middle to Shaky Ground" shows some worrying trends in America's households, including:

-- The median financial assets held by middle-class families declined by 22 percent. This means that for every dollar in median assets that middle-class families held in 2000, they held just 78 cents

in 2006. These figures do not include home equity and therefore do not reflect additional losses families may have experienced due a decline in their home values.

-- Monthly housing expenses for the middle class rose by 9 percent. As a result, the percentage of middle-class families who match the Department of Housing and Urban Development's definition of "housing burdened" rose from 31 percent in 2000 to 37 percent in 2006.

-- The number of middle-class families in which at least one member lacks health insurance grew from 18 percent in 2000 to 25 percent in 2006.

"Declines such as these in any one area are alarming," said Tom Shapiro, Professor of Law and Director of the Institute on Assets and Social Policy at Brandeis. "Bad news across a range of areas supporting financial stability means the middle class is confronting its greatest challenge since the Great Depression."

Source: Brandeis University

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