

# Asset Building & Low-Income Families

By Tia Benjamin

It's easy to build assets when you have plenty of disposable income, but when you're struggling to make it from paycheck to paycheck, investing money is pretty low on the priority list. For young families just starting out, asset-building strategies can seem overwhelming, especially if you've never been shown the essentials of budgeting, investing and asset management. Don't worry -- asset management isn't reserved for Wall Street. In fact, several government programs are available to help young, low-income families maximize their earnings and begin building a base for the future.

## Why Asset Building Is Important

Forty-two percent of low-income fathers will see their children experience the same struggles with poverty, according to the Urban Institute Press. But building assets as a young family can help ensure you'll move away from poverty for generations to come. A family is considered "asset poor" if the household doesn't have the ability to live -- without income -- for three months at or above the federal poverty level. Without assets, a low-income family is perpetually unprepared for an emergency situation.

The long-term benefits of an asset building strategy aren't limited to finances. The U.S. Department of Health and Human Services notes that asset building by low-income families can increase your chances of a successful marriage, more involvement with the community, better health and a more stable household in general. Asset building also has a direct affect on children, who are less likely to continue a cycle of poverty. The act of building assets, not how much you are able to build, is important for these positive outcomes.

## Financial Versus Non-Financial Assets

Don't make the mistake of thinking that assets are only complicated stocks, bonds and money market accounts. While these all are considered assets, the most common financial asset in the United States is something you probably already have: a regular checking or savings account. Urban Institute Press statistics show that 91 percent of all families -- and 76 percent of low-income families -- have a checking or savings account. However, the most valuable type of financial asset is one that only 10 percent of low-income families possess: a retirement account.

Assets don't necessarily have to be financial. Your car or home, if you own them outright, are examples of non-financial assets. Education or specialized training also are considered by some to be long-term assets.

## Individual Development Accounts

One of the main strategies introduced to help lower-income families build assets is an individual development account, or IDA. These savings accounts typically are offered to eligible, low-income families through a federal or state-sponsored program and offer some form of matching funds to encourage participants to save for an investment such as a house or degree. A University of North Carolina study on the success of IDAs revealed that 170 graduates of the state's various IDA programs had "purchased 136 homes, started 30 small businesses, and made four educational investments."

## Other Options For Low-Income Families

The types of assets that low-income families can build aren't restricted to the traditional assets of a house, car or savings account. Consider long-term assets such as college savings accounts, Roth IRAs, CDs, 30-year bonds and child savings accounts. Starting a business can provide you with an ongoing asset, and increasing your education is a high-return method of increasing your net worth. Tax breaks -- such as the earned income tax credit -- allows even those families with minimal income to receive money that could be applied toward a savings account or other asset investment.

## Tools And Resources

The consistent success and positive outcomes associated with asset building programs has led to an increase in the available programs and resources available on a federal, state and local level, such as through your city or county social services department. Even the U.S. Senate has discussed specific ways to increase asset building among low-income families. Financial literacy programs and budgeting classes are available if you need assistance figuring out how to save, and government programs are in place to help you keep your assets even during an economic downturn. Check your local library, health and human services department or free continuing education programs at your local community college for resources.

Source:

<https://budgeting.thenest.com/scholarships-married-working-moms-30456.html>