CFED's *Assets and Opportunity Scorecard* Highlights National Inconsistencies in Financial Security

By Andrea Levere

Asset building plays an integral role in alleviating poverty and bolstering financial security for individuals and families. Assets move families beyond living paycheck to paycheck and give them tools to plan for the future. But in order to improve asset building in the future, we first have to determine where we stand today. To do this, CFED, a nonprofit organization that works to promote economic opportunity, has created its most comprehensive tool yet to measure ownership and financial security, the *Assets and Opportunity Scorecard: Financial Security Across the States* (Scorecard). The recently released Scorecard provides a detailed picture of how the states are faring in both performance and policy.

The Scorecard – which can be accessed online at www.cfed.org/go/scorecard – measures the financial security of families in the U.S. by looking beyond just income to the whole picture of building ownership and protecting against financial setbacks. The Scorecard ranks the 50 states and the District of Columbia on 31 performance measures in the areas of financial security, business development, homeownership, health care, and education.

The Scorecard quantifies various aspects of household financial health across the states, and grades related state policies. The data show some alarming discrepancies in net worth between women and men, minorities and whites, and even between average residents of different states.

Among the key findings:

- Nearly one in five American households has zero net worth or is in debt, that is, "owes more than it owns." The ratio is one in three for minority-headed households.
- For every dollar of net worth of a household headed by a male, female-headed households have less than 40 cents.
- The median Massachusetts household net worth (the highest of all states) is three times that of median households in Arizona, Texas, Georgia, West Virginia, and a number of other states.

States were graded from A to F on their performance in building assets. Among the virtues of a highly graded state is high net worth among a large number of residents, low levels of asset poverty and bankruptcies, widespread ownership of small businesses, high homeownership with a low number of foreclosures, a high percentage of residents with health insurance, and high test proficiency from students and advancement into higher education.

The Scorecard also looks at 38 state policies in these areas (as well as tax policy) that can help or hinder citizens' efforts to get ahead. Policies are assessed as either "favorable," "standard," or "substandard," relative to the policies of the other states.

Among these are policies that address predatory lending standards, small business investment, first-time homebuyer assistance, per-pupil spending, and asset-building savings programs.

The top performers on the Scorecard — those states that earned an overall A in performance measures and a favorable rating in policy measures — include Connecticut, Delaware, Vermont, Maine, Minnesota, and Iowa. The state of Iowa is within the Federal Reserve System's Seventh (Chicago Fed) District. The scores earned by the remaining states within the Seventh District boundaries — Illinois, Indiana, Michigan, and Wisconsin — were mixed:

- Illinois earned a D, but received a favorable rating for its asset-building policies;
- Indiana and Michigan earned Cs on overall performance measures, and also garnered substandard policy ratings; and
- Wisconsin returned an overall B, as well as a favorable asset-building policy rating.

Along with the Scorecard, CFED has created a Scorecard Advocacy Center to encourage state-level asset-building and ownership advocates to use the Scorecard as a tool for effecting policy change. CFED has already incorporated state-level advocacy into the roll-out of the 2005 Scorecard by working closely with organizations in the asset-building field. Among these groups are the Chicago-based Sargent Shriver National Center on Poverty Law and the Michigan IDA (individual development account) Partnership.

Asset-building Partnerships

CFED and the Sargent Shriver Center on Poverty Law recently presented Scorecard findings as part of two asset building policy briefings, one at the Federal Reserve Bank of Chicago and another for state legislators in Springfield, IL. The Shriver Center also plans to use the Scorecard as a tool to further its work with the newly formed Illinois Asset Building Group (IABG), of which the Shriver Center is a co-chair. IABG's mission is to foster financial strength, economic development, and family and community stability and well being in Illinois, both today and for future generations.

CFED's working relationship with the Shriver Center predates the Scorecard, as the Shriver Center is also a partner in the CFED-managed Saving for Education, Entrepreneurship, and Downpayment (SEED) Policy and Practice Initiative — a multi-year national initiative to develop, test, and impel matched savings accounts and financial education for children and youth. For SEED, the Shriver Center has partnered with the William M. and Charles H. Mayo Elementary School in Chicago to deliver SEED accounts to students in kindergarten through fourth grade.

Not unlike the Shriver Center, the Michigan IDA Partnership—a collaboration between the Michigan Department of Human Services and the Council of Michigan Foundations—is planning to use the Scorecard to further its efforts through the newly formed Asset Building Coalition (ABC) for Michigan. ABC for Michigan will use the Scorecard to help draw attention to existing policy and create new policy options with the greatest potential to help working poor households build assets and become more financially secure.

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