NEW AMERICA FOUNDATION
ASSET BUILDING PROGRAM

WORKING PAPER

September, 2006

Ineligible to Save?

Asset Limits and the Savings Behavior of Welfare Recipients[1]

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Introduction

To receive public assistance, impoverished families must demonstrate they are both income and asset poor. Under current law, low-income families will not qualify for assistance if they have savings or other assets -- excluding a home and specific vehicle allotment -- exceeding the "asset limit" in their state. Although asset limits were created to preserve welfare for those truly in need, the work requirements and time limits that define the TANF program today effectively deter anyone with alternative means from applying for assistance. In this respect, it appears that asset limits have become outdated, unnecessary, and potentially harmful.[3]

This paper focuses specifically on how asset limits influence the perceptions and behaviors of current TANF recipients. To date there have been only a handful of studies seeking to understand the impact of asset limits on the savings behavior of welfare recipients. These studies have been entirely quantitative, utilizing information collected from a number of national surveys. In the most recent, and certainly most rigorous empirical investigation, economists James Ziliak and Erik Hurst assert there is no quantitative evidence to conclude that asset limits discourage saving by the poor.[4] However, empirical studies such as this one are unable to capture the impact of asset limits on individual behavior. Many low-income men and women continue to be unbanked and self-reported data can be notoriously unreliable. For this reason there is a need to look beyond the numbers. A qualitative approach is needed to more fully appreciate how the existence of asset limits affects the decisions of impoverished individuals: whether or not to report savings to a caseworker, use a bank account, or to even save at all.

Key Findings

The TANF recipients interviewed in this study:
*Express a sincere desire to save and build assets
*Believe even minimal savings will make them ineligible for public assistance
*Report lying to caseworkers and remain unbanked in order to maintain eligibility

Policy Recommendations

*Eliminate asset limits for TANF and related income-support programs
*Make caseworkers and clients aware that personal saving is encouraged, not penalized

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[1] A version of this paper is currently under review for the *Social Service Review*, University of Chicago Press.
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[3] For a more comprehensive analysis of the role of asset limits in social programs including a more thorough presentation of policy solutions, please see *To Save or Not to Save? Reforming Asset Limits in Public Assistance Programs to Encourage Low-Income Americans to Save and Build Assets*, by Leslie Parrish, available at www.newamerica.net.
[4] Hurst, Erik and James P. Ziliak. 2004. "Do welfare asset limits affect household saving? Evidence from welfare reform." Working Paper 10487, the National Bureau of Economic Research, Cambridge, MA.

Background

When cash assistance "welfare" was established as Aid to Dependant Children (ADC) under the Social Security Act of 1935, states were made responsible for administration of the program. Funding, however, was matched by the federal government, provided individual states followed specific federal guidelines for the program. It was the federal government that first required states to implement an asset test for ADC eligibility screening. In 1955, the federal government mandated that families were not eligible for assistance if their assets exceeded $1500 per household member. States, however, retained the prerogative to institute lower asset limits for eligibility and retained significant latitude in determining precisely what qualified as an asset subject to the test for eligibility. This created considerable variation between states; some states included owner-occupied homes in wealth calculations while others excluded these and other assets.

In 1981, Congress sought to create parity in policy across the states with the passage of the Omnibus Budget Reconciliation Act (OBRA). Through the OBRA, the federal government mandated that states could no longer include the equity of owner-occupied homes in asset eligibility tests. In addition, a cap of $1,200 on vehicle equity was also excluded from eligibility calculations, temporarily settling an emerging debate over the treatment of vehicles in determining welfare eligibility. With two major assets – homes and vehicles – being completely or partially excluded from the asset test, Congress instituted one final regulation, asserting that all other wealth was subject to a single limit, which was not to exceed $1,000.

Throughout the 1980's, as a new philosophy of welfare began to crystallize in the minds of voters and the agenda of politicians, some states began to institute their own changes to the AFDC program by applying for "waivers" from the federal government. In an effort to make welfare compatible with self-sufficiency and employment, some states used waivers to redefine asset regulations for eligibility.

As mandated in the 1996 welfare reform law, individual states are now responsible for establishing eligibility guidelines for public assistance programs such as TANF, Food Stamps and Medicaid. In exercising this authority, over the last decade many states have chosen to liberalize or eliminate asset limits for TANF eligibility calculations, resulting in significant variation in the treatment of assets by TANF eligibility screeners. While states such as Ohio and Virginia have gone so far as to exclude all financial assets from welfare eligibility tests, many others remain under the original $1,000 cap. A family in one state can own two working cars and have household savings of several thousand dollars and still qualify for public assistance while across the border, a family with two working cars yet absolutely no savings is automatically disqualified.

Does changing the asset limit governing TANF eligibility have any affect on savings behavior? While one would expect these policy changes to result in an increase in the reported assets of welfare recipients, current research concludes there is no quantifiable effect. In a 2004 working paper, economists Ziliak and Hurst find no empirical evidence to suggest that liberalizing asset limits results in increased saving by the welfare population. From this finding, they reason that asset limits have no impact on the savings behavior of welfare recipients; if increasing asset limits does not lead to an increase in reported savings, these limits, they contend, must already be set too high to affect the behavior of low-income individuals. My qualitative research shows this reasoning to be incorrect.

Research Design

As many low-income men and women continue to be unbanked – and self-reported data can be notoriously unreliable – empirical studies are unable to capture the impact of asset limits on individual behavior. A qualitative approach is therefore necessary.

In December 2005, I interviewed eighteen welfare recipients in two states with markedly different asset policies: Maryland and Virginia. The state of Maryland currently employs an asset limit for welfare eligibility of $2,000, only $1,000 more than the restrictive policy that existed under AFDC. Virginia, however, has gone much further in liberalizing eligibility policy; in 2003, the state eliminated its asset limit for public assistance. Thus, for Virginia residents, eligibility for public assistance is in no way affected by an individual's asset holdings. With such different policies for the treatment of assets in determining welfare eligibility, Maryland and Virginia, as bordering states, provide a "natural experiment" for studying the effect of asset limits on the savings behavior of TANF recipients.

The cities of Alexandria, Virginia and Gaithersburg, Maryland were selected as the location of my interviews. These cities were chosen because of certain demographic similarities, specifically with regard to race, income, education, and poverty rates. Additionally, both of these communities rest within the greater Washington DC Metropolitan area and are served extensively by the capital's network of public transportation. Being only thirty miles apart via the Capital Beltway, these two cities exist within the same regional labor market and therefore experience similar employment cycles and job opportunities. These cities were deliberately chosen for their comparability; the daily experience of welfare recipients in Alexandria, Virginia is likely quite similar to their counterparts across the Potomac in Gaithersburg.

My interviews in Alexandria were conducted at the Department of Human Services. Over the course of eight hours, I spoke with eight individuals, all of whom were currently enrolled in the TANF program. The length of each conversation varied from ten to thirty minutes, with the respondent's own level of comfort dictating the length of the interview. Each of these conversations was recorded. I spoke with three males and five females. Most individuals were in their mid-twenties and had at least one child.

In Gaithersburg, I had the opportunity to speak with ten individuals currently participating in the county's welfare-to-work program. Seven of these participants spoke with me in a formal interview setting and our conversations were recorded. Three individuals spoke with me in a less formal, "focus group" style conversation; these women did not want our conversation audio-recorded. Instead of interviewing individuals at the county's Department of Human Services, I met with TANF recipients at a welfare-to-work center operated by a for-profit company contracted by the county. While a few of the individuals I spoke with were at the center for an orientation to the program – and therefore were still in the process of applying for TANF benefits - the rest were attending required employment classes, meeting with a caseworker or using available computers to search for job openings.

Compared with national averages, the cities of Alexandria, Virginia and Gaithersburg, Maryland are highly educated and relatively wealthy. This is not the ghetto. The vast literature detailing the plight and isolation of the urban poor does not describe the reality of life in these communities. The poor of Gaithersburg and Alexandria are best described as the working poor made famous by David Shipler's 2004 bestseller. In these cities, even if an individual is currently unemployed, he or she exists within a community where full employment is the norm, and education, hard work, and middle class values are esteemed. With poverty being the exception within these communities, families who are currently struggling financially are likely to have access to significant social capital resources such as an educated, employed social network. Impoverished families in these cities do not live in isolated communities; they form part of a larger, financially stable, middle class community.

So why profile individuals in these cities, as opposed to the more impoverished ghettos that exist only a few miles away? In the interest of isolating the effect of eligibility policy on the savings behavior of welfare recipients, I sought to study the impact of these policies in an environment in which the other barriers to saving were less critical. Urban poverty is not simply poverty existing within a city. Urban poverty describes the powerful social context of impoverished city residents whose sheer number, proximity, and isolation compound the problems of individual poverty and result in community wide social pathologies (Wilson 1987). The special circumstances of the urban poor dictate a unique social capital and networking system, one that may in fact complicate an individual's perception of and interaction with the social welfare system. The urban poor face a number of potential barriers to saving that simply do not exist in the communities profiled here. In order to distill the effect of welfare eligibility policy on savings, one must isolate this potential barrier to saving from other, confounding forces. Put another way, if these policy-based barriers to saving do not matter in these neighborhoods, they are unlikely to matter in more impoverished communities. For this reason, Alexandria, Virginia and Gaithersburg, Maryland are ideal locations for this study.

Accordingly, the analysis presented below is not inherently applicable to, or representative of, the entire welfare population. Nevertheless, the conversations I had with these men and women provide some enlightening, albeit anecdotal, views of saving, banking, and public assistance through the eyes of actual welfare recipients. Qualitative research permits the opportunity to hear men and women describe their motivations and justify their actions; the higher, personal level of understanding that is derived from qualitative inquiry allows the researcher to understand the forces and perceptions that inform an actor's decision in detail not captured by most empirical approaches. Therefore, despite a modest sample, the nature of qualitative research suggests that the perceptions of the men and women I interviewed are likely shared by countless others in a similar economic position. In seeing the world of welfare and banking through the eyes of actual welfare recipients, there is an unparalleled opportunity to better understand the needs of this vulnerable community.

Findings

Values Before discussing how asset limits specifically affect savings behavior, it is important to establish that these men and women do, in fact, have a desire to save and invest in the future. Emerging from the culture of poverty thesis introduced by Oscar Lewis in the 1960's, the obvious, and perhaps most convincing explanation for why we see no evidence of saving by the poor is because they possess a disparate value structure, one that may not esteem a future orientation and deferred gratification, both essential to saving and investment. If the poor do not save, it may be a direct result of their misplaced priorities and skewed values -- it is entirely a failure of the individual actor. Tempting as this explanation may be, every welfare recipient I spoke with espoused a set of values and priorities commensurate with those deemed essential to saving. These men and women value saving and aspire to invest in their future.

Each of the eighteen individuals I spoke with mentioned a desire to save in order to prepare for the inevitable, unforeseen income shocks that lay ahead. From getting sick or injured to being unexpectedly laid off, saving money now is the only way to prevent income shocks from completely devastating their way of life. One man in his early twenties recalled the series of unfortunate events that led him to the welfare office and vowed to be ready next time, "I used to save, and yea, I should save, people should save. You never know what's going to go down eventually – you know, day to day." The importance of saving to future economic well-being is clearly understood.

Espousing a belief in deferred gratification and saving for the future may not be sufficient to convince the skeptic that impoverished men and women have the drive and motivation to better their condition. The welfare recipients I spoke with did more than just tell me about their aspirations for a middle class lifestyle -- they detailed a specific plan for making it happen. One African-American male I spoke with, who had just recently been released from prison, explained how he planned to achieve the good life:

> **When I get a job I am gonna start saving right away….because I need a car…cause you know me I got a plan. I am going to stay home with my people for a year, get me a job, you know that way I can save up, pay off all my bills, catch the bus, I'll be saving….and I'll go back and get another job, part time, then yea, get three or four brothers in an apartment and the next thing you know I'm getting an apartment in my name, they paying the utilities and I'm paying the mortgage. That's how you do that, that's how that goes.**

Although this man readily admits he does not enjoy living with his parents at this stage in his life, doing so allows him to save money -- his ultimate priority. He described to me how he has worked to rearrange his life entirely, from living at home, to taking the bus, to never eating out, to ensure that any money he makes goes to either paying the bills or saving for future investments such as a car or his own apartment. Here we see an individual's future orientation aimed at achieving the American dream of homeownership. This man understands the personal and financial reward of owning significant assets such as a home and he has no delusions about the hard work and personal sacrifice required to reach this goal.

Every individual I spoke with expressed a desire to save not only to better their own condition, but also for the explicit purpose of providing greater opportunities for their children. A woman in her late forties, who is originally from the Caribbean, had this to say:

> **When I get back on my feet I will save. I want to save for the future, for my son's education, so that at least he can own his own house, have some stability, you know? Savings the only way that's gonna happen, and that's not even counting for my retirement and whatnot, but I'm really just saving for my son.**

Every parent hopes to provide their child with opportunities for social mobility. With higher education becoming a prerequisite for middle class occupations, saving for college tuition has become the priority of families across the social spectrum. This woman wants so desperately for her son to go to college and eventually own his own home – goals she herself was not able to achieve – that she is currently working two jobs to save enough money. She mentioned that she will never be able to retire at this rate, but the socioeconomic success of her son is paramount. She saves so he can have a better future.

The men and women I spoke with want to save and they are willing to work hard and make significant sacrifices to do so. They believe in their own ability to pull themselves up 'by their boot straps' through hard work and reinvestment. Deferred gratification and a future orientation, the hallmarks of the middle class orientation, serve to define the economic outlook of these welfare recipients as well. My interviews suggest that the poor do indeed desire to save, and they have the will to do whatever it takes. Why then do we see so few welfare recipients with bank accounts or other formal means of savings? Failed values and skewed priorities are not the answer.

Banking According to a recent survey by the Federal Reserve, nearly one-fifth of the unbanked population claim they simply "don't like dealing with banks." One interpretation of this common response is that the poor do not "trust" banks. Contributing to, or perhaps resulting from this lack of trust, some contend that impoverished individuals do not understand the benefits of having a bank account, or lack knowledge of the logistics of opening and maintaining an account – and it is this ignorance and lack of trust which accounts for little formal savings by the poor. The welfare recipients I spoke with largely discredited these explanations.

In both Maryland and Virginia, the participants I interviewed demonstrated an impressive, sophisticated understanding of the logistics and merits of banking. One young African American female, who does not have a bank account herself, explained that she would not "worry" about her money if she kept it in the bank, "cause the banks insured, that FDIC, so it doesn't matter if it gets robbed." In addition to the FDIC – which was referenced in several discussions – participants also mentioned the benefits of interest: said one interviewee, "I know I should use a bank, I know about the FDIC and the interest and all that." The welfare recipients I interviewed are clearly aware of the merits of banking: the safety assurance of the FDIC, the benefits of accumulating interest.

In discussing their general attitude towards banks, the men and women I spoke with gave no indication that they were objectively uneasy about dealing with banks or entrusting these institutions with their money. One energetic young woman explains her attitude toward banking, "I used to save at home. But then my friends was like 'girl you better get that money out from your mattress and put it in a bank, what if your house burns down?' And I ain't worried because I don't have no problem with banks." Another woman in her twenties was adamant that she had no issue trusting banks, "all of my friends have banks and don't have a problem having them. That's not why I don't have one." From these conversations, there is no evidence to suggest that welfare recipients do not use banks because they do not trust these institutions with their money. Issues of 'trust' in banking arise more commonly when associated with fears of being tracked by the system or being penalized by social welfare programs; these perceptions are addressed below.

Asset Policy Nearly every individual I spoke with, in both Maryland and Virginia, feared having a bank account would jeopardize their eligibility for public assistance. When asked why he did not have a bank account, an African-American man in Virginia responded, "well my reason [for not having a bank account] is you can't have so much money and get public assistance, and that's a way they can keep track of it, and you don't want the government finding out, ya know…you can only have so much money and get welfare." He went on to describe how he instead saves at home, building up funds for use in an emergency. Even though the official policy in Virginia states that savings and assets are not considered in the determination or continuation of eligibility, this man, who has been receiving TANF benefits for over six months, was afraid to save his money in a bank.

This sentiment is shared by TANF recipients across the Potomac River in Maryland. When a young African-American female was asked to describe how savings influences public assistance, she responded:

> **Well, I know like if you have a bank account they figure, they budget you on that bank account, like they wouldn't give you as much money as they would if they didn't know you had a bank account. Having money in a bank account makes a big difference. If I had a bank account, and they knew how much I had in it, I know that would change what they give me.**

Even though Maryland does employ a $2000 asset test for welfare eligibility, this young woman was adamant that simply having a bank account could jeopardize her public assistance benefits. Another young woman in Maryland expressed an identical concern, "I definitely don't think you can have any money in a bank account and still get assistance." The perception that savings of any kind will result in a reduction or loss of benefits is shared by at least seven different individuals I spoke with, across both states.

It is remarkable that welfare recipients in Virginia, a state that no longer employs an asset limit for welfare eligibility, believe personal saving is penalized in the TANF program. One would expect such a recent, major change in eligibility policy to be widely discussed or publicized in the welfare office and consequently influential in shaping perceptions on saving and welfare. It appears, however, that this is not the case. The welfare recipients I spoke with in Virginia continue to operate under the assumption that the TANF program penalizes those who report any savings. Changing the technical regulation appears to have had no impact on the perception and behavior of this population.

Stemming from a concern over losing benefits because of a positive account balance, some participants asserted that they simply did not deal with banks for fear of being 'tracked' by the system. A young woman in Maryland bluntly expressed this sentiment, “I think some people don’t want to use a bank account because they don’t want to be traced, you know, by the system.” When asked whether she personally had a bank account, a woman in Virginia responded, “I don’t have a bank account and I don’t want anyone to find out if I get a bank account, don’t want people to know how much money I have…a lot of people, you know, they don’t trust them [banks]. Think they will…report them to their caseworker.” Not only do these individuals fear that having a bank account would make it easier for a caseworker to throw them off the rolls, there is a general sentiment that having a bank account exposes one’s “private business.” Income earned under the table through childcare or other activities becomes easily traceable in a transactions record. These men and women felt uncomfortable with another entity, a bank, having records of their financial dealings -- especially when they are not quite sure whose side these banks are on.

This fear of being traced by the system is so powerful that it compels individuals applying for public assistance to lie outright.[5] As one woman explained to me when asked how people deal with this fear of being tracked by the system, “they lie, lots of people lie. They tell people they don’t have bank accounts if they do, or say they don’t have any money at home, when it’s in the cookie jar or whatever.” The welfare recipients I spoke with appear to view the welfare system as a punitive structure from which they must work hard to keep their financial reality secret. Even though the amount of money these men and women are able to save would in no way impact their benefits in a state like Virginia, the perception that saving is simply not allowed is real and powerfully influences the savings behavior of these individuals.

Since most were convinced that saving over a certain amount of money would result in a reduction or loss of benefits, I asked the participants what they thought the asset limit was for determining eligibility. In other words, I asked these men and women how much money they think they can have in a bank account and still qualify for welfare. While the responses varied, they each had one thing in common – they were much lower than the actual asset eligibility policy ($2000 in Maryland, no limit in Virginia). One man in Virginia thought the maximum allowed to be “…probably no more than $1,000, that seems like a good figure, give or take.” A young woman in the same state believed the limit to be much lower, “no more than $100. I bet if you had more than $100 they wouldn’t give you any money.” In Maryland, one woman felt the limit fell somewhere between the two amounts surmised by her peers in Virginia, “if I made the rule, I wouldn’t let you save more than $600, that seems fair.” These men and women, most of whom have been enrolled in the TANF program for at least six months and who claim to be well versed in the policies regulating public assistance, firmly believe little saving is allowed in the TANF program.

Assets and Applying for Welfare The welfare recipients I spoke with, who appeared to be quite knowledgeable about other regulations governing the TANF program,[6] perceive TANF eligibility policies to be significantly more stringent than they actually are. After spending just a few days in welfare offices, the reasons for this skewed perception became clear. The experience of applying for welfare, as far as I was able to observe, is a punitive process; in order to receive benefits, an applicant must reveal his or her financial situation in unnecessary detail and work with a system that is designed to uncover any reason to deny assistance.

In Maryland, I had the opportunity to participate in an orientation for the TANF welfare to work program in Montgomery County. Operated by a for-profit enterprise under contract with the county

[5] For further qualitative documentation of welfare recipients expressing a similar motivation to lie, see Kathryn Edin 1993

[6] Other social scientists have similarly observed that welfare recipients are quite knowledgeable about the programs governing regulations (see Edin 1993)

department of human services, this mandatory orientation lasted anywhere from three to five hours depending on which programs an individual was applying for. Nine individuals were in attendance as the orientation began at 9:30 am. The atmosphere in the room was similar to that of a high school classroom, with a well-groomed representative conducting roll and asking participants to remain quiet and hold any questions until the end of each segment. The power dynamic in the room was established at the outset, "TCA [local acronym for TANF program] is a very restrictive program. You must have all of your information or your application will be denied. You must have your application complete within 30 days or I will close your case." The words of the orientation leader were clear; qualifying for cash assistance is itself an arduous endeavor -- this is a "very restrictive" program.

The attitude of our orientation leader appeared to reflect the attitude of the TANF program; qualifying and maintaining eligibility takes such a detailed, concerted effort, that the paltry cash assistance provided may not prove worthwhile. One of the most cumbersome aspects of the eligibility process, explained our orientation leader, is the full disclosure of one's entire financial history:

> **One thing you must start getting together is bank statements. If you had a bank account, if you had one now, even if it was closed, three, five, 10 years ago, we need a statement from the bank. If they don't have any records other than the fact that the account is closed, we need a letter stating that. We need full statements from anywhere you have ever had an account, even if you don't have it anymore**.

Immediately hands went into the air. "Why do you need to know if I closed a bank account twenty years ago?" one participant asked, "What if I don't remember every bank account I've ever had?" inquired another. The orientation leader's answer was always the same: it is a requirement of the application process and if one cannot provide this information within thirty days, she will be forced to close the case. The extremity of the policy had no explanation; the orientation leader's only response was a reminder that cash assistance is a very restrictive program.

Shortly after the barrage of questions asking for an explanation of the numerous, seemingly unnecessary requirements of the program, our orientation leader asked everyone to put their hands down as she handed out a sheet of paper with "important information for you to look at before we continue." The table she directed everyone to review is reproduced below. Everyone was directed to find his or her family size in column A and find the corresponding value in column C. Column C, labeled "50% of the poverty line," is the maximum monthly gross income a family that size can earn and still qualify for cash assistance. A family of four, for example, must make less than $806 gross a month to qualify for cash assistance. Column B indicates the maximum allowable payment for families of a given size who qualify for assistance. For a family of four in Montgomery County, that figure stands at $592 a month. "As you can see," our orientation leader continued, "the amount of cash assistance you may qualify to receive is not very much. For those of you who don't think this process is worth the time, you may leave now." Four of the nine women left the room.

A	B	C
Family Size	Allowable Payment	50% Poverty Level
1	$220	$399
2	386	535
3	490	670
4	592	806
5	686	942
6	755	1078

I rushed to speak with these women about their decision to abandon the process of applying for assistance. When asked what made her give up, one woman explained that she did not think the level of assistance was worth the effort. I inquired as to what specific aspects of the process she felt required too much effort, she responded, "I spent everything I had in my bank account, and at home, I closed my bank account before coming down here. And now they are telling me I need to get all those statements and everything. I don't know why they gotta know. If I had money I wouldn't be here. You heard them [orientation leaders] in there, this program is 'very restrictive'."4 For some, the lengths required to qualify for public assistance are not worth the potential level of assistance. The requirement to disclose one's entire banking history strikes many of the individuals I spoke with as unnecessary, burdensome and invasive.

Upon returning to the orientation room, I listened to the representative detail the other steps involved in completing one's application for cash assistance. All applicants, even those without history of a problem, must be assessed by a substance abuse counselor. All single parents, she explained, must also cooperate with the county office of child support enforcement to file a legal injunction for cash assistance from the non-custodial parent. Failure to comply with either of these steps will result in an automatic disqualification from the program. Needless to say, the remaining applicants assaulted the orientation leader with questions, asking "why do I need to see a drug counselor if I've never done drugs?" and "how am I supposed to find my baby's father when I haven't heard from him in a year?" to which the orientation leader simply responded, "these are the requirements of the program, it's a very restrictive program."

Once an individual has successfully qualified for cash assistance, the process of retaining eligibility is equally restrictive. One woman I spoke with, who had been receiving TCA for approximately six months, explains how using a bank account for routinely saving the household rent nearly ended her eligibility for assistance:

> **…if they were really fair they should look at how much you have in a bank account but also consider how much my rent is here, because my rent is really high. So I have to save a little bit every week so that I can pay the big rent payment at the beginning of the month but if I keep it in a bank account it looks like I have all this money and don't need assistance. But that's not my money, you know, that's rent money. So I just save it at home.**

Using a bank account to save for rent pushed this woman above the allowable asset limit in the high rent city of Gaithersburg. Although these funds were earmarked for a clear purpose, restrictions governing the TANF program in Maryland deem this woman to be ineligible for continued assistance because she reports having so much cash "on hand." This is clearly not the intent of the law. The punitive nature of the welfare system has forced this woman to cease using banks and keep her financial dealings entirely private. With stories like this, it is clear why so many welfare recipients fear using banks. The decision to apply for public assistance is typically an option of last resort. A common theme across the men and women I spoke with is that almost every person applies for assistance due to some recent income shock such as unexpected unemployment. Most spend their entire savings trying to stay afloat while looking for work before eventually enrolling in TANF when their savings dry up. This is why most welfare recipients are puzzled as to why the system requires such detailed information of one's financial holdings, cars, etc. One African-American male in Virginia explained to me his reasoning, "I mean if I got money, ya know, then I wouldn't be coming down here to apply for this…I've been out of work for like two months. This is my last resort, right here. Since I had some money saved I didn't come right down here after I got fired…" Across the river, a woman in Maryland expressed a similar sentiment, "I spent everything I had in my bank account, and at home, and I closed my bank account before I came down here…I wouldn't be here if I had any money…"

The welfare recipients I spoke with were frustrated with their inability to understand why the welfare office assumes they are hiding money and do not truly require immediate cash assistance. The work requirement, time commitment, and miniscule benefits are enough to deter anyone with assets from applying for public assistance. Restrictive policies and a punitive attitude serve to further alienate and humiliate those individuals who have no other option.

Implications for Policy & Practice

Asset limits for public assistance are intended to reserve welfare benefits for the truly needy. With limited government funding available, every precaution must be taken to ensure that available benefits are not spent on individuals with other significant resources at their disposal. Seeing that welfare recipients have been characterized as everything from lazy to fraudulent - as personified in references to the "welfare queen" of the 1980's - it is clear why many are hesitant to remove or amend a policy that appears to reserve welfare for the deserving poor. In reality, however, these policies are not only unnecessary to deter individuals with significant assets from applying, but they are also expensive and inconsistent with economic independence, the goal of the welfare system.

The Case for Eliminating Asset Limits

Unnecessary to Preserve Welfare for the Needy. Existing national surveys and state administrative data clearly indicate that, regardless of a state's asset eligibility policy, TANF recipients do not report any asset holdings. Even in states with no penalty for asset accumulation, welfare recipients report little to no savings. Many of the state administrators I spoke with were initially baffled at my request for asset data on TANF recipients. As one data technician in Ohio exclaimed, "these people don't have savings – they're on welfare!" Indeed, it is widely, and rightly, assumed that welfare recipients possess no real assets, but does that mean asset limits are successful in preventing the asset-rich from receiving assistance?

My research determined that very few individuals with assets even attempt to apply for welfare. Every state administrator I spoke with indicated that it is extremely rare for an individual to be denied public assistance benefits because he or she possesses assets in excess of the state limit. People with resources amounting to more than even the most restrictive asset limits simply do not apply for public assistance. As exemplified in conversation with actual TANF recipients, welfare is unequivocally the option of last resort. It is, therefore, not asset limits that deter men and women with savings from applying -- it is the inherent nature and basic requirements of the TANF program itself. Few individuals with any available options would subject themselves to the considerable indignities and work requirements of TANF in exchange for such a paltry sum of money.

Some may argue, however, that the existence of asset limits is what prevents many asset rich families from even applying for assistance in the first place. While there is no way to definitively predict what impact the elimination of asset limits would have on those who are currently outside the welfare system, I am confident that other TANF program requirements and restrictions will prove sufficient in deterring asset-rich families from applying for assistance. Virginia, which has already eliminated asset limits for TANF and related programs, has reported no 'horror stories' of asset-rich families applying for benefits (Parrish 2005). The work requirements, time restrictions, and inadequate benefits that characterize our nation's welfare system successfully ensure that only those with no other options would subject themselves to the TANF program. Thus, these asset restrictions serve no identifiable purpose; their existence merely perpetuates welfare's punitive culture and inhibits precautionary saving by the poor.

Client Hassle and Government Expense The welfare-to-work orientation in Maryland makes it clear that applying for welfare is a difficult and invasive endeavor. TANF applicants in Maryland must produce detailed financial records in order to complete the application process, including a letter from every bank with which they have ever had a checking or savings account. If this information is not produced within thirty days from the start of the application, an individual's case is closed and the process starts over from the beginning. Individuals applying for welfare should not be required to provide such extensive evidence that they are in fact poor; as discussed above, the nature and structure of the welfare system itself serves as an effective deterrent to those with other options.

On the other side of the application process, caseworkers and other government employees spend a great deal of time, in theory, documenting and verifying an individual's (lack of) asset holdings. These administrative costs are substantial. In Virginia, for example, the decision to eliminate the asset test for public assistance was actually done in an effort to cut down on administrative costs and simplify the eligibility process. Even if individuals with significant assets choose to abuse the system the amount saved in this administrative restructuring would far outweighs the costs (Parrish 2005).

Incompatible with Goals of Welfare Reform As demonstrated in these conversations, asset limits create a powerful disincentive to save among those who rely on public assistance. At the same time, assets are pivotal to achieving economic independence, the goal of welfare reform. Despite the original intention to preserve assistance for those truly in need, asset limits effectively prevent low-income households from participating in precautionary saving. Without personal savings, income shocks over the short and medium term can entirely overwhelm a working family and rob them of their economic self-sufficiency. If we want current welfare recipients to eventually be able to support themselves without government assistance, precautionary savings must be embraced as a way of life. Yet, as long as welfare recipients continue to feel threatened by restrictive asset policies, there is little hope these men and women will partake in formal saving and asset development.

Asset Limits in Related Public Assistance Programs

Liberalize Limits in Complimentary Programs In speaking with a welfare administrator in Ohio, a state that has eliminated the asset limit for TANF assistance, I asked whether caseworkers continue to document asset holdings since they no longer affect welfare eligibility. She informed me that only a "handful" of welfare recipients in Ohio receive TANF benefits exclusively, and therefore caseworkers must continue to collect asset information in order to make eligibility calculations for Food Stamp and Medicaid benefits. Despite Ohio's progressive move in eliminating asset limits in the TANF program, from the standpoint of both clients and caseworkers, the restrictive limits governing the Food Stamp and Medicaid program make this change completely irrelevant.

When considering the TANF cash assistance program, it must be understood that individuals in need rarely receive assistance from just one source. Indeed, the threshold to qualify for TANF is set much lower than the Food Stamp and Medicaid programs, which means that individuals on TANF are extremely likely to receive food stamps and Medicaid benefits as well. While families in need may require several different types of assistance to survive, each of these programs has distinct eligibility rules and benefit schedules. Assets, for one, tend to be treated differently by each of these programs, even within the same state. For families who require multiple forms of assistance, the most restrictive asset limit becomes the de facto governing regulation. For this reason, liberalizing asset limits for the TANF program alone is not enough – it must be done in tandem with related public assistance programs.

Overcoming the Punitive Culture of Welfare

Informing Caseworkers and Recipients of Welfare Policy While in Virginia, I had the opportunity to speak with a "screener" in the welfare office, a woman who has direct contact with clients and assists them in navigating the dense applications for public assistance programs. When I asked her to describe what she tells clients regarding the role of assets in determining eligibility, she insisted I had confused her role in the process; she only works with clients to fill out and file applications for public assistance – it is the eligibility officers "upstairs" who make the final decisions regarding an application. She went on to say that she is not aware of how assets are treated in the eligibility calculation and that I should direct those questions upstairs. This woman, charged with helping clients navigate the process of applying for assistance, has no knowledge of how assets affect eligibility. It is therefore no wonder that the welfare recipients I spoke with were entirely unaware that their state employs no asset limit for public assistance.

Since welfare reform, many states have made significant steps in liberalizing asset limits for the TANF program. Yet, as we have seen, having a liberal asset policy on the books does not necessarily translate into increased savings by welfare recipients. Regardless of the technical asset policy, welfare recipients are convinced that saving will lead to a loss of benefits. Liberalizing asset limits alone is not enough; states must go one step further in making sure caseworkers and welfare recipients are aware that individuals can, and should save. The only way to overcome the perception that saving is incompatible with welfare is to make sure caseworkers and clients are properly informed.

Based on field observations, my guess is that memorandums refreshing caseworkers of current asset eligibility policy will not be enough to overcome this daunting disconnect in information. Caseworkers will need to do more than simply inform their clients that they are allowed to save -- they must explicitly encourage saving. These men and women represent a crucial link between welfare recipients and the welfare system; a caseworker's attitude towards assets and savings will be interpreted as the attitude of the system itself. Caseworkers need to not only embrace a mantra of saving and asset accumulation, but also provide welfare recipients with information on how to open a bank account and implement a savings plan. In order to overcome the perceived incompatibility between welfare and assets, the system must openly encourage and facilitate saving.

Previous studies have demonstrated that the practice of caseworkers on the front line is largely unchanged by formal policy directives (Meyers, Glaser, & MacDonald 1998). It is therefore highly unlikely that caseworkers in states that have liberalized asset tests have changed the way they screen or assist welfare recipients and first time applicants. As these frontline caseworkers retain substantial discretion in working with clients (Lipsky 1980), the attitude and information they present can have a tremendous impact on the perceptions of welfare recipients.

Encouraging Saving and Bankedness With nearly one in four families receiving some form of public assistance annually, states have a tremendous opportunity to positively influence the economic behavior of this vulnerable population. Though it is a basic one, receipt of public assistance implies a connection to the system. While state agencies work to provide these families with the job skills and health support they so desperately need, there exists an opportunity to also provide these men and women with the requisite tools of economic independence: assets and financial literacy.

Conclusion

In order to achieve economic independence, low-income families must accumulate savings. Unfortunately, a number of potential barriers stand in the way. While aspects of poverty such as underemployment and inadequate education require complex and likely expensive policy solutions, liberalizing asset limits for welfare eligibility is an easy way to encourage savings and thereby promote economic self-sufficiency. What's more, liberalizing asset limits costs nothing and may actually save states money in administrative costs and ultimately reduce the number of low-income families returning to the rolls..

The men and women I spoke with described their experience on welfare as humiliating, confusing, and exhausting – not what one should expect from a program designed to provide the needy with transitional assistance. A recurring theme in this investigation is the impact of the punitive culture of welfare on the attitude, perceptions and behaviors of welfare recipients; these men and women do not save largely because they fear being penalized by the system. But what if caseworkers began to encourage their clients to save and praised or even rewarded welfare recipients for positive economic behavior? If the punitive culture of welfare was transformed into a system of support and opportunity, we should expect to see this difference reflected in the economic behavior of welfare recipients. Eliminating asset limits for public assistance should be the first step in the larger process of restructuring the culture of welfare to align with the stated goals of the TANF program; only in a system that promotes positive economic behavior can we expect welfare recipients to ever achieve true self-sufficiency.

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