

FINANCIAL OPPORTUNITY & INCLUSION

New Mexico Voices for Children Conference



June 2019

WEALTH VS INCOME

Wealth, or assets, are our *personal* safety net. Income gets you by but assets get you ahead.

Wealth is defined as the total of all assets owned minus any liabilities.

Assets include

- Access to Credit
- Home Ownership
- Emergency Savings and Retirement Accounts
- Insurance
- Business Ownership

NON-TRADITIONAL ASSETS

Assets also include personal resources

- Education
- Access to Healthcare
- Job Skills and Experience
- Transportation
- Social Networks and Community Supports
- Citizenship

RACIAL WEALTH GAP

White people in the United States lost considerable wealth following the great recession.

- The average net worth of a white family in 2007 was \$42,700
- The average net worth of a white family in 2016 was \$22,900

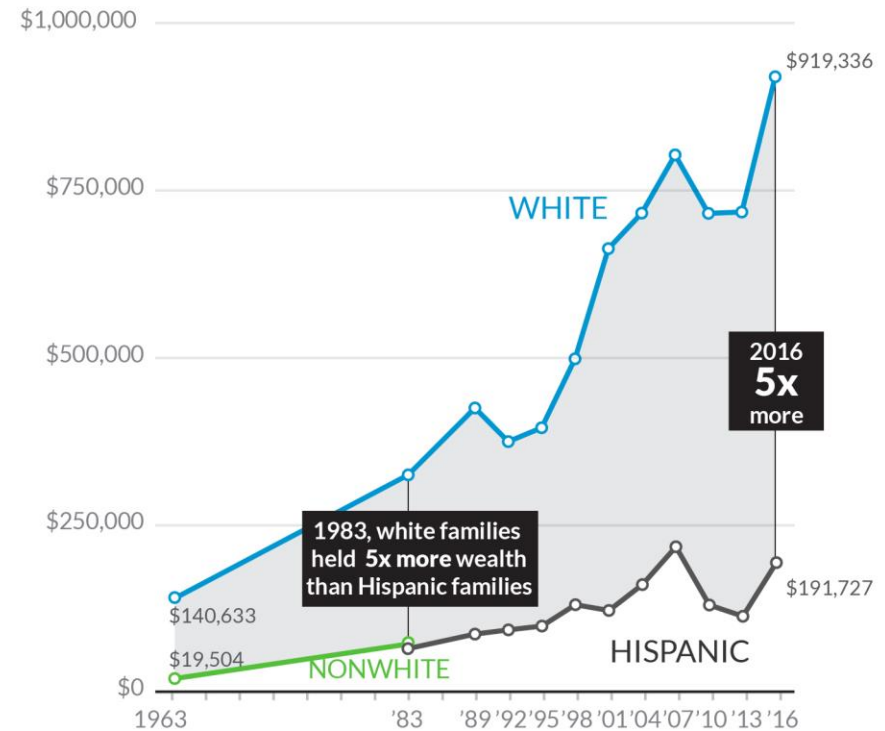
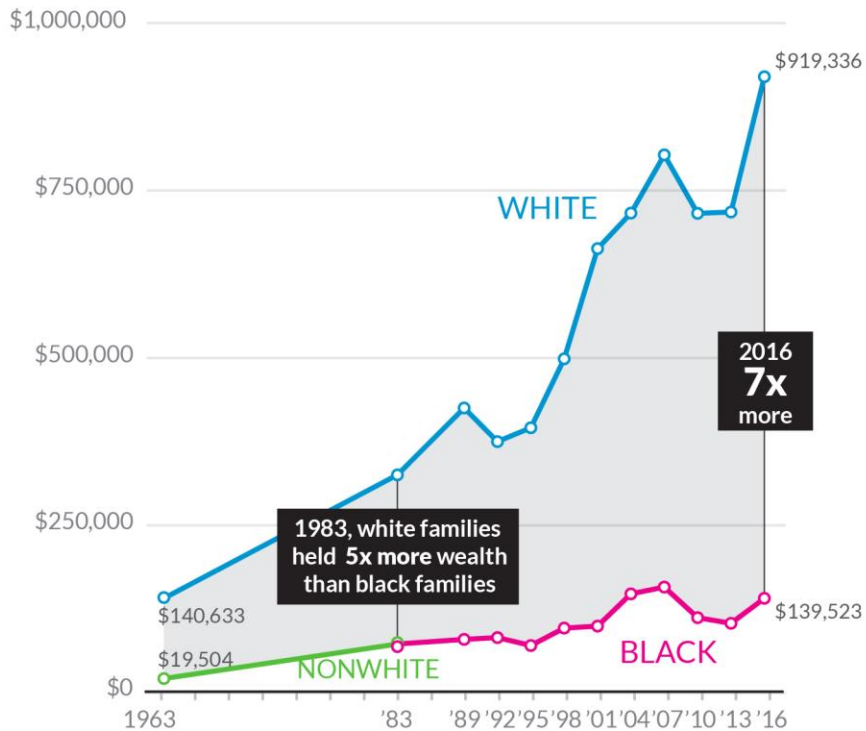
RACIAL WEALTH GAP

But the Wealth Gap for families of color is exponentially greater. The net worth for people of color in 2016

- In 2016, the average net worth of a **Hispanic family** was **\$7,900**
- That same year, the average net worth of a **Black family** was **\$5,000**

RACIAL WEALTH GAP OVER TIME

Average Family Wealth by Race/Ethnicity, 1963-2016



Source: Urban Institute calculations from Survey of Financial Characteristics of Consumers 1962 (December 31), Survey of Changes in Family Finances 1963, and Survey of Consumer Finances 1983-2016.

Notes: 2016 dollars. No comparable data are available between 1963 and 1983. Black/Hispanic distinction within nonwhite population available only in 1983 and later.

GENDER WEALTH GAP

We know that the income gap for women persists, with women still earning about 80% of men. However, the wealth gap is much larger.

Single women have only 32 cents for every dollar of wealth owned by single men.

The median wealth for single **men** is **\$10,150**

The median wealth for single **women** is **\$3,210**

EXAMINING THE RACIAL AND GENDER WEALTH GAP

Women of color are impacted by both the gender and racial wealth gaps, and this gap persists even with more women attaining more education.

Median Wealth for Single Men and Single Women

Black Women	\$200	Black Men	\$300
Hispanic Women	\$100	Hispanic Men	\$950
White Women	\$15,640	White Men	\$28,900

Single Black and Hispanic women have less than a penny for every dollar of wealth owned by a single White man.

SYSTEMIC BARRIERS AND REALITIES

The gender and racial wealth gaps are embedded in our society, hard work and personal responsibility alone do not account for these gaps.

Our laws, policies, and systems helped to create these gaps:

- Red Lining
- Wage Discrimination
- Job Discrimination
- Tax Codes and Intergenerational Wealth Transfer

INDIVIDUAL SUPPORTS & INTERVENTIONS

While individual interventions will not fully address the wealth gap, they can lay a foundation for building assets and wealth.

- Individual Development Accounts and Child Savings Accounts
- Access to financial education and financial coaching
- Access to effective and non-predatory financial products
- Opportunities to create and build credit

SYSTEMIC INTERVENTIONS

But we must address the systemic barriers faced that exist to maintain the wealth gap.

These interventions come through:

- Employers
- City and Local Ordinances
- State Policy
- Financial Institutions

WORKER CHALLENGES

- Only 30% of American workers have access to any paid leave – so taking time off for illness or family caregiving means you don't get paid
- Every industrialized country in the world requires paid maternity leave – except the United States. Starting a family means losing pay and dipping into assets.
- 49% of New Mexico families are struggling in today's economy – these are working families.

EMPLOYER BASED INTERVENTIONS

Employers are in a unique position to implement programs and benefit supports that can radically change their employees' financial stability.

Family Friendly New Mexico is working to create momentum and opportunities for employers to invest in some of these programs.

Paid time off. We are full and complete people, and we are strongest as workers when we are connected to our families and community. Being able to care for our own health and the health of our families makes us better workers.

Support for student loan repayments. The cost of a college degree continues to grow even as wages remain flat against inflation. Students today are starting out with higher debt and are therefore making the rational decision to defer building assets like home ownership and they have less money to invest in retirement plans.

EMPLOYER BASED INTERVENTIONS

Supporting Saving Opportunities. “Match” your employees’ savings to support home ownership, retirement, or emergency saving programs. Even small matches can be a great opportunity for employees to build assets. This is an idea that has taken root at many small and mid-sized businesses across the nation, including here in Albuquerque

Company stock options. Make available for all workers, even for low-wage earners.

Employer based lending for small emergency loans. These types of loans help stabilize employees financially in times of struggle without falling into the spiral of high interest lending. Fixing a tire, paying for an unexpected medical expense, repairing a broken boiler – these are all situations that can blow our savings and undercut our assets.

FAIR-LENDING SOLUTIONS

True Connect is an example of an employer-based loan that we have successfully brought to a number of New Mexico employers.

True Connect Loans have **no risk** and **no cost** to the Employer and are easy to set up with **automated administration**.

- Employees are eligible for FDIC insured loan up to \$3,000
- Loans are repaid via a payroll deduction over **12 months at 24.9%**
- Loan repayments are positively reported to the Credit Bureau



IMPACT IN NEW MEXICO

15,188 employees in New Mexico already have access to this product and 1,290 loans have been secured for a total loaned of \$2,358,500.

When surveyed, these New Mexicans report having previously relied on payday loans (48.22%), car title loans (27.18%), pawn shops (16.3%), and borrowing from their 401k (13.7%).

Most Common Reasons New Mexicans Are Taking Our Employer Loans with True Connect:

- Home Repairs/Improvements 46.4%
- Medical Expenses 16.2%
- Paying Higher-Interest Debt 17.9%
- Car-related Expenses 29.6%

CITY & LOCAL ORDINANCE INTERVENTIONS

Local interventions can help mitigate the wealth gap. Examples include:

- Living Wage Initiatives - it is not possible to build assets and wealth if families are working to survive and make ends meet. Providing a living wage allows families to build assets.
- Sick and Paid Leave Initiatives - losing pay to care for a child or address illness places an undue burden on working families
- Affordable Housing - allowing families to save their hard earned dollars rather than paying over 30% of their income to rent

STATE POLICY INTERVENTIONS

At the State level, we can make significant impact on reducing systemic barriers to building assets and wealth.

- “Soft” Wage Discrimination - asking for previous salaries creates a continuing wage gap that primarily impacts women and people of color. Previous salary ranges should play no role in decisions on the value of a job offer.
- Access to Child Care - child care is often one of the greatest expenses for working parents. Access to safe and affordable child care improves worker productivity and also allows for working families to build assets and plan for their future.

FINANCIAL INSTITUTION INTERVENTIONS

Financial Institutions are an integral part of our communities, and can play a key role in developing products and programming that help all New Mexicans better save for their future.

1. Expand Access

- Opening up opportunities for youth, as through the JumpStart program, to open savings accounts in their own name without the approval of a parent or guardian
- Utilizing new lending frameworks, such as ITINs, that allow at risk communities to bank and safely access credit and capital

2. Develop Responsive Products

- Create new lending options for small business owners, allowing them to access timely capital to support expansion
- Develop emergency lending options for bank customers, keeping more families out of the hands of predatory lenders

3. Ensure Service Options

- High-income customers are provided access to financial planners and financial counseling, ensure all customers are provided the opportunity to readily and easily access these services