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New Report Finds One-Quarter Of U.S. Households Are Wealth-Poor

CFA, NCUF, and CUNA Assist These Households to Save and Build Wealth

Washington, D.C. -- One-quarter (25%) of U.S. households have net assets under \$10,000, and therefore are "wealth-poor," concludes a joint report by the Consumer Federation of America (CFA), the National Credit Union Foundation (NCUF), and the Credit Union National Association (CUNA). The report also found that these wealth-poor households are more likely than other American families to plan for the next few months, rather than years; spend more than their incomes; and not save regularly.

"Wealth-poor Americans are only a lay-off or emergency expenditure away from financial disaster," noted Stephen Brobeck, CFA Executive Director. "Wealth-poor Americans also lack the financial assets which allow investments in a home, an education, a personal business, or securities," he added.

The report also concluded that there are two types of wealth-poor households -- young debtors and the income poor. Young debtors tend to have debts larger than their assets; they also tend to spend more than their incomes. Most of the income poor, who are more likely to have lower incomes and less education than young debtors, do not carry installment or credit card debt.

"Living paycheck to paycheck is no way to live -- not if you want to own a home, send your kids to college, or build a retirement nest egg," said CUNA CEO Daniel A. Mica, who is also president of the NCUF. "Credit unions recognize this and are involved in a number of programs to foster savings and put their members on a solid financial footing."

"Credit unions are a natural vehicle for helping Americans build wealth," adds NCUF Executive Director Gary Officer. "We have access, means, and, most importantly, we have the desire to help."

The report used the latest data from the Federal Reserve Board's Survey of Consumer Finances, which dates from 1998. Professor Catherine P. Montalto, at Ohio State University, analyzed these data for CFA, NCUF, and CUNA.

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The Wealth-Poor Have Different Financial Attitudes Than Other Americans

As the table below indicates, the wealth-poor tend to be young, have low- or moderate-incomes, and rent rather than own homes. They also tend to plan for the next few months rather than for at least five years; tend to spend more than their incomes; tend not to save; and tend to be unwilling to take financial risks when saving or investing.

THE WEALTH-POOR COMPARED TO ALL AMERICAN HOUSEHOLDS

	Wealth-Poor*	All Households
Under 35 years of age	47%	23%
Income under \$25,000	70	37
Renter	86	33
Planning Horizon		
Next few months	32	20
At least 5 years	23	38
Spending and income		
Spend more than income	22	14
Spend less than income	36	56
Saving habits		
Don't save	41	23
Save regularly	22	39
Unwillingness to take financial risks when saving/investing	54	39

*For households with net assets under \$10,000, proportion of this group with the characteristic or attitude.

There are, however, wealth-poor households that do not share these characteristics or financial attitudes. Of these households with net assets under \$10,000, 10% are over 65, 7% have incomes of at least \$50,000, and 14% are homeowners. Moreover, of those households with net assets of at least \$50,000, 14% don't save, 13% plan only for several months, and 11% spend more than their incomes.

Two Types of Wealth-Poor Households

The following table suggests that there are two types of wealth-poor households -- young debtors with negative economic assets, and the income-poor who have few assets but no or few consumer debts. A majority of young debtors are under 35 years of age. They have more education and higher incomes, and are less likely to be Black or Hispanic, than the income-poor. Young debtors are much more likely than the income-poor to spend more than their incomes and to be willing to take financial risks with their saving and investments.

DIFFERENCES AMONG WEALTH-POOR HOUSEHOLDS

	Less than \$0 Net Assets*	\$0-9999 Net Assets*
Under 35 years of Age	58%	42%
Education beyond high school	58	30
Incomes at least \$25,000	39	26
Black or Hispanic	29	38
Spend more than income	31	17
Willing to take financial risks with savings/investments	61	38

*Proportion of the asset group with a characteristic or attitude.

The Fed data also indicate that those with negative assets carry far more consumer debt than households with net economic assets of zero to \$9,999, as the table below shows.

CONSUMER DEBT HELD BY WEALTH-POOR HOUSEHOLDS

	Less than \$0 Net Assets	\$0-9999 Net Assets
Median debt	\$11,800	\$ 200
Average debt	15,528	3,910

In large measure because of increasing consumer indebtedness, during much of the past decade, the income poor lost wealth. Between 1992 and 1998, the net assets of those households with incomes under \$25,000 declined by 6 percent.

CFA, NCUF and CUNA Support America Saves Campaign Directed at Wealth-Poor

NCUF supports, and serves on the advisory committee to, America Saves, the social marketing campaign developed by CFA. Eleven dozen cities have launched, or are organizing, local savings campaigns which try to enroll residents as Savers and persuade others to increase savings and build wealth. These campaigns typically offer the following services:

- o No-fee savings accounts offered by financial institutions
- o A consumer savings hotline
- o Motivational workshops to persuade participants to save
- o One-on-one financial consultations with Wealth-building Coaches and/or financial planners
- o Savers' clubs

These services are promoted through community-wide advertising and press coverage, and through the recruitment of diverse organizations that sponsor workshops and support participation by members/employees/congregants.

The pilot campaign is in Cleveland. Launched in May 2001, Cleveland Saves includes more than 100 organizations, has enrolled 1,500 Cleveland Savers, has involved more than 2,000 in motivational workshops, and according to projections from an area-wide survey, has persuaded some 10,000 area residents to save more effectively.

Kansas City has also launched a savings campaign that has enrolled 1,000 Kansas City Savers. Indianapolis, Charlotte, and Gadsden Co. (FL) will launch campaigns in the near future. Seattle, Phoenix, Milwaukee, Northern Wisconsin, Philadelphia, and El Paso are organizing campaigns.

Credit Unions Sponsor Wealth-Building Initiatives

The NCUF's BMW (Building Member Wealth) Campaign is a national marketing campaign to increase savings among low- and moderate-income credit union members. To date, over 4,000 credit unions have used the campaign's easy to use Plan It Save 4 It guides to assist in increasing savings among low-income members.

Credit unions also recognize that financial literacy, particularly among the nation's youth, can provide the necessary grounding for improved saving habits that carry into adulthood. CUNA has formed a partnership with the National Endowment for Financial Education (NEFE) to teach its High School Financial Planning Program to high school seniors across the nation. The NEFE program has a strong savings component and has been proven effective with just 10 hours of classroom instruction. This year, more than 60,000 students in 609 of the nation's high schools are using the NEFE program as the direct result of credit union involvement.

Credit unions will be active participants in the federal government's "First Accounts" program, which is aimed at bringing the unbanked into the financial mainstream through financial literacy training and low- or no-cost products and services. Of the 15 First Account grants by the U.S. Treasury this month (out of 231 applications received), five, totaling \$3 million, were awarded to credit unions, with three of the grants channeled through the NCUF.

CFA is a federation of nearly 200 pro-consumer groups that, since 1968, has sought to advance the consumer interest through advocacy and education.

CUNA is the primary national trade association for the country's 10,000 state and federally chartered credit unions, which are not-for-profit financial cooperatives serving more than 82 million Americans. NCUF, the U.S. credit union movement's primary charitable and fundraising organization, promotes consumer financial independence through credit unions.