

*Financial Capability across the life course:
A focus on vulnerable populations*

ASSET DEVELOPMENT FOR OLDER ADULTS: A CAPABILITY APPROACH

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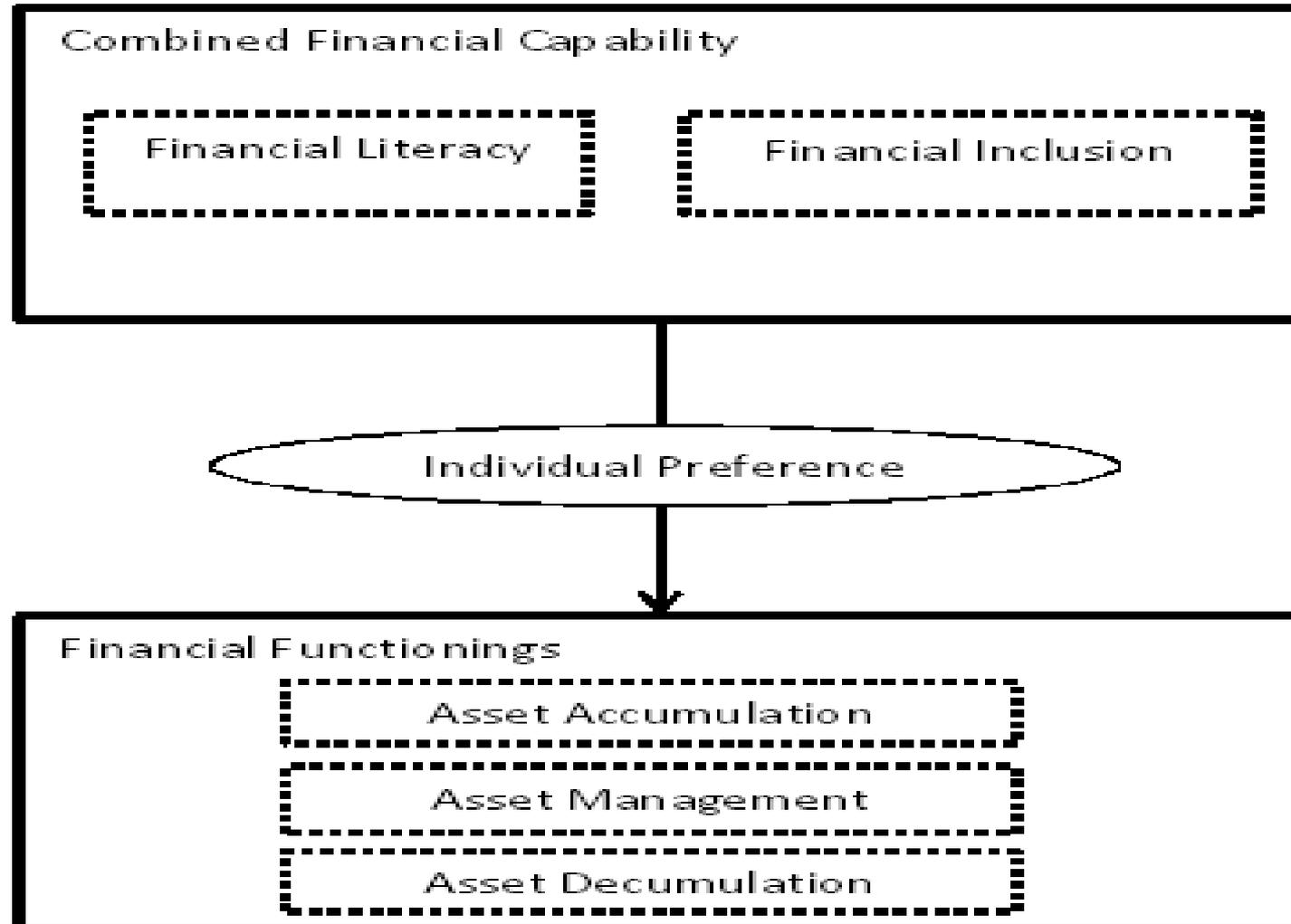
Three Purposes

- Propose a conceptual framework of asset development for older adults
- Evaluate older adults' access to asset-based programs
- Evaluate the opportunities to apply the asset-based approach in existing programs for older adults

The Capability Approach

- Two key definitions of the capability approach (Nussbaum 1999; Sen, 1999):
 - Functionings: “Beings and doings”. The states and activities that a person can undertake.
 - Capabilities: A person’s real freedom to achieve functions.
- Combined capability (Nussbaum, 1999):
 - Internal ability: individual characteristics developed through environmental input across the life course;
 - External conditions:

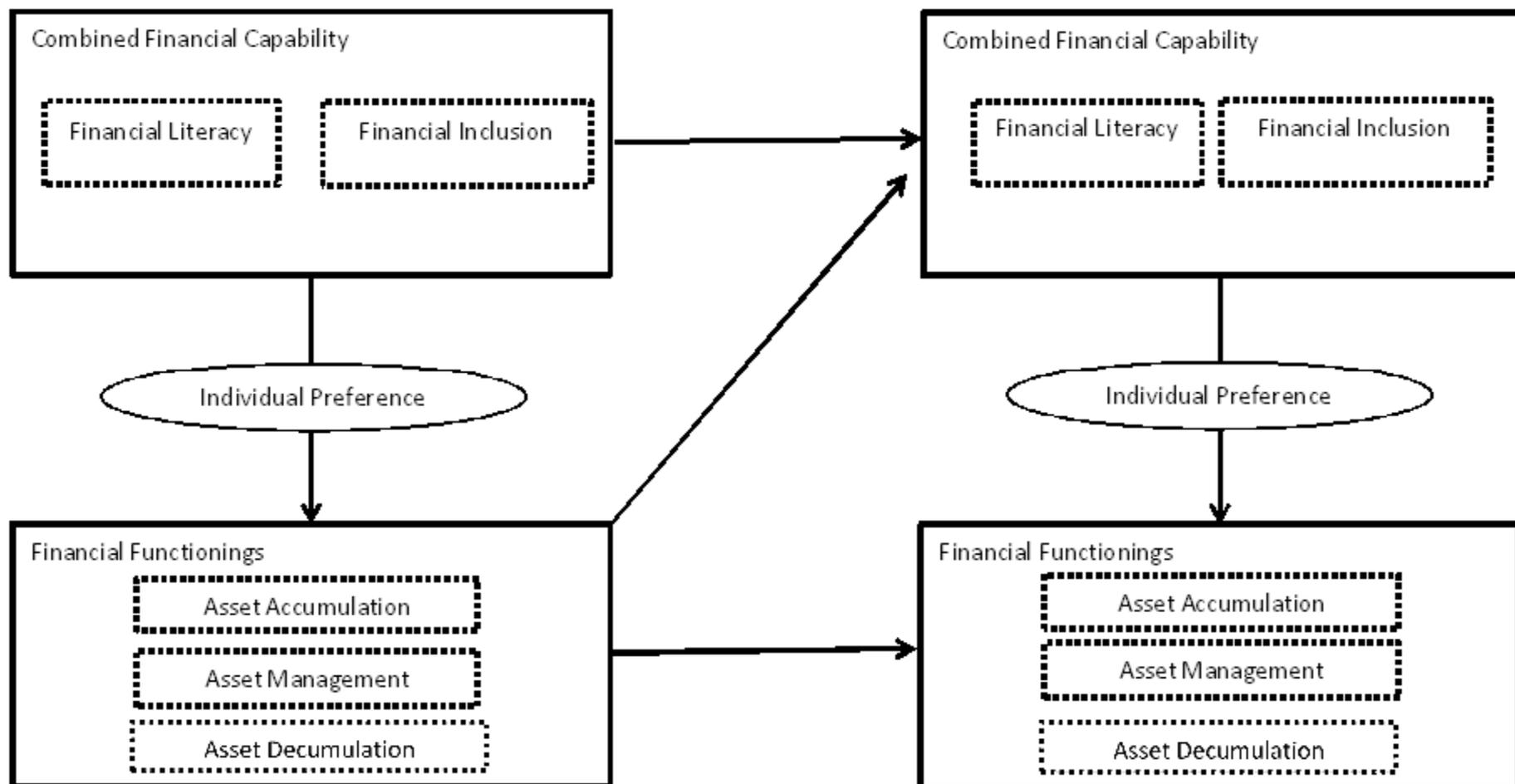
Asset Development in Later Life



Asset Development over Life Course

Earlier Life

Later Life



Policy Implications of Capability-based Asset Development

- Promote financial capability among older adults
 - Improve financial literacy
 - Increase access to financial services and resources
- Address social inequality in asset development across the life span
 - Improve cumulative financial capability through the life course
 - Optimize financial capability in later life through compensatory support

Asset-based Programs and Older Adults I

- Categories of asset development:
 - Savings and investment
 - Homeownership
 - Entrepreneurship
 - Retirement
- Criteria
 - Age eligibility
 - Financial literacy
 - Financial inclusion
 - Asset development strategy
 - Institutional support for older adults
 - Institutional barriers for older adults
 - Program participation of older adults

Asset-based Programs and Older Adults II

Categories of Programs	Direct Spending	Tax Expenditure
Savings and Investment	<ul style="list-style-type: none"> • Assets for Independent Act 	<ul style="list-style-type: none"> • Tax benefits on capital gains
Homeownership	<ul style="list-style-type: none"> • HOME Investment Partnerships • Housing counseling assistance • USDA direct housing loans • USDA very low-income repair loans and grants 	<ul style="list-style-type: none"> • Housing tax incentives
Entrepreneurship	<ul style="list-style-type: none"> • Microloan program • Small business lending program 	<ul style="list-style-type: none"> • Amortization of startup costs
Retirement		<ul style="list-style-type: none"> • Net exclusion of pension contribution (employer's plan, 401ks, IRAs, Saver's credit, and Self-employed plans).

Asset-based Programs and Older Adults III

- Age eligibility: Most programs do not have age limits
- Financial literacy: Few programs provide financial education or training to improve participants' financial knowledge and skills
- Financial inclusion: Financial incentives for asset development generally are realized through tax benefits
- Asset development strategy: Asset accumulation
- Institutional support: Several policies have specific features to support asset development of older adults
- Institutional barriers: Some programs have features that may retain asset development.
- Program participation: Overall the share of the older adults in these programs is smaller than that of working-age individuals

Summary of Asset-based Program Evaluation

- The foundation of these programs is the life-cycle hypothesis saving
- Older adults overall benefit less from existing asset-based programs than younger groups.
- Older adults' opportunities for asset development could be expanded

Older Adult Policies and Asset Development I

- Categories of supportive programs for older adults
 - Retirement
 - Employment and education
 - Housing and energy assistance
 - Health and mental health services
 - Community support
 - Family caregiving
- Criteria
 - Whether the program applies an asset-based approach
 - Whether the program has asset limit rules

Older Adult Policies and Asset Development II

Categories of Programs	Programs
Retirement	Social Security; Private sector pension plans; SSI
Employment & Education	Senior community service employment; Hope credit; Lifetime learning credit; 529 plan
Housing & Energy Assistance	Section 202 supportive housing; Section 8 housing choice voucher; Weatherization assistance; Low-income home energy assistance
Physical and Mental Health	Medicare; Medicaid; Health Savings Accounts;
Community Support	Food and nutrition programs; Recreation and leisure; Transportation; Elder rights protection; Civic engagement
Family Caregiving	Dependent care tax credit; Dependent care assistance; Family medical leave

Older Adult Policies and Asset Development III

- Most of the programs do not apply asset development strategies to support adults
- Almost all categories have policy examples applying an asset-based approach
- Two types of asset limit rules in existing programs and services for older adults
 - Limit on annual maximum contribution
 - Means-tested assistance programs for low-income elderly have asset limit requirements

Conclusion

- The capability approach suggests that policy should focus on financial capability of older adults:
 - Financial literacy
 - Number of programs
 - Identify or design effective curricula
 - Add financial education components to existing asset-based programs
 - Financial inclusion
 - Specific program features to encourage program participation
 - Remove institutional barriers