

Redesigning Social Welfare: Presenting a New Asset Poverty Measure

By William Elliott, Benjamin Osafo Agyare, Haotian Zheng, and Subin Min



Produced by the Center on Assets, Education, and Inclusion (AEDI)

Acknowledgment:

In the preparation of this research brief, Google's NotebookLM was used as an AI assistant to help synthesize information from the provided research articles and structure key concepts. The full article used was Elliott, W., Zheng, H., Osafo Agyare, B., Zheng, H., and Min, S. (2025). Redesigning Social Welfare: Presenting a New Asset Poverty Measure. *Sociology Mind* 15(4), (pp. 265-325)

This brief could not have been done without the generous support of Annie E. Casey Foundation and the Charles Stewart Mott Foundation. These organizations are not responsible for the quality or accuracy of this special issue or its associated products (e.g. infographics, briefs, etc.), which are the sole responsibility of the authors, nor do they necessarily agree with any or all the report's content.

Find here: https://www.scirp.org/pdf/sm_3800902.pdf

SUMMARY

This academic paper, authored by William Elliott, Benjamin Osafo Agyare, Haotian Zheng, and Subin Min, proposes a **reimagined approach to measuring poverty**, moving beyond traditional income and consumption-based metrics. The authors argue that the existing social welfare system, focused merely on survival, **falls short of the American ideal** of providing the freedom to pursue happiness, which they link to **financial capability and long-term wealth building**. The study introduces “**asset empowerment**” as a new measure of asset poverty, evaluating whether individuals are on track to achieve significant financial goals like retirement, and then uses this alongside two existing asset poverty definitions to **analyze economic mobility and racial wealth disparities** among college graduates in the U.S. Their findings suggest a **significant lack of upward mobility**, particularly for Black college graduates, and underscore the **critical role of wealth accumulated at critical life junctures**—such as college enrollment and graduation—in fostering financial security and growth. The paper ultimately advocates for a **revolutionary shift in social welfare policy** toward proactive wealth-building strategies to cultivate financially capable citizens.

Brief Citation

Elliott, W., Zheng, H., Osafo Agyare, B., Zheng, H., and Min, S. (2025). Redesigning Social Welfare: Presenting a New Asset Poverty Measure [Research Brief]. Find at <https://doi.org/10.7302/27347>.

Introduction

This study critically examines the current U.S. social welfare system, asserting that its fundamental design, focused on merely providing a “safety net” for survival, is “un-American” and fails to align with the nation’s moral philosophy: the right to “life, liberty, and the pursuit of happiness”. The research proposes a potentially revolutionary redesign, shifting the paradigm from consumption-based income support to a **financial capability approach** that emphasizes wealth building and long-term economic well-being. By introducing a new measure of “asset empowerment,” the study identifies three distinct “economic ladder rungs”—survival, security, and growth—and assesses economic mobility within these frameworks, particularly among college graduates.

Key Objectives

Evaluate existing asset poverty measures and introduce a new “asset empowerment” measure aligned with financial capability.

Examine median net worth trends, asset poverty rates, and economic mobility among college graduates.

Determine the time it takes for college graduates to reach asset secure or empowered status, considering factors like race and student loan debt.

Define and analyze three distinct economic ladder rungs: survival, security, and growth, based on hierarchical financial needs theory.

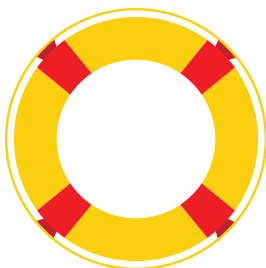
Investigate the probability of college graduates achieving asset security or empowerment based on early-life wealth (birth, enrollment, and graduation wealth).



Methodology

The study utilized longitudinal data from the Panel Study of Income Dynamics (PSID), covering the period from 1984 to 2021. The sample focused on 576 Black and White individuals who hold a bachelor’s degree from a four-year college or university.

Three measures of asset poverty were employed:



Asset Poverty 1 (Survival Standard)

Lacking sufficient wealth to remain above the official poverty line for three months.



Asset Poverty 2 (Security Standard)

Lacking wealth equivalent to three months of total annual family income. (The study found little practical difference between Asset Poverty 1 and 2 in identifying the asset poor).



Asset Poverty 3 (Growth/Asset Empowerment Standard)

Defined as being “on track to achieve a financial goal,” specifically operationalized by meeting age-based savings benchmarks for comfortable retirement (e.g., 1x annual salary by age 34, 2x by 39). This serves as a proxy for financial capability.

From the asset poverty measures and the hierarchical financial needs theory (), the authors create three distinct economic rungs of the economic ladder:



- **Survival:** Focused on meeting daily expenses, susceptible to income shocks.



- **Security:** Possessing a cushion to withstand income shocks, saving for emergencies.



- **Growth (Asset Empowerment):** Actively building wealth for long-term development and the pursuit of economic happiness.

Analytic Plan

Analytical methods included **Panel Logistic Regression** to assess the probability of achieving asset security/empowerment and **Survival Analysis** (Kaplan-Meier curves and Cox Proportional Hazards models) to evaluate the time it takes to reach these statuses. Key variables included **Birth Wealth** (ages 0-4), **Enrollment Wealth** (ages 17-22), **Graduation Wealth** (ages 25-30), student loan amounts, and financial literacy.

Key Findings

Persistent Racial Wealth Gap

A significant Black/White wealth gap persists among college graduates, despite their educational attainment. In 2021, a majority of **Black college graduates (63%) were living at a survival standard** (asset poor by Asset Poverty 1), compared to only 20% of White college graduates. A majority of **White college graduates (75%) were living at a security standard**.

Limited Access to Growth

Very few college graduates, regardless of race, reach the “growth” standard. In 2021, **79% of all college graduates were classified as “asset poor” by the Asset Poverty 3 definition**, meaning only 21% were on track for comfortable retirement and thus living at a growth standard. This means 74% of White college graduates and 89% of Black college graduates were not asset empowered.

Lack of Economic Mobility

- **Upward Mobility:** From 2009-2014, only about **18% of asset-poor college graduates moved to a security standard** (Asset Poverty 1). Moving from a survival standard to a growth standard (Asset Poverty 3) was even rarer, at **a low of 2% and a high of 4%** across years.
- **Status Quo:** A significant proportion of college graduates remain stuck in their asset poverty status. Using Asset Poverty 1, **30-41% of the asset poor remained at a survival standard** between 2009-2021
- **Long Road to Empowerment:** Becoming asset empowered (reaching a growth standard) is a prolonged process. The median time to asset empowerment for White individuals is approximately 13 years, while Black individuals do not reach this threshold within the study period

Wealth Findings

- **Enrollment wealth** (wealth at college enrollment, ages 17-22): Every additional dollar in enrollment wealth is associated with a 3% (AP1), 4% (AP2), or 6% (AP3) increase in the odds of becoming asset secure/empowered by middle age. For instance, a **\$500 increase in enrollment wealth raises the odds of becoming asset secure by 38% (AP1).**
- **Graduation wealth** (wealth at college graduation, ages 25-30): This is a strong predictor of becoming asset secure or empowered. Every additional dollar in graduation wealth is associated with a 6% (AP1), 8% (AP2), or 5% (AP3) increase in the odds of becoming asset secure/empowered. For example, a **\$1,000 increase in graduation wealth increases the likelihood of becoming asset secure by a factor of 24 within the first year after graduation (AP1).** This effect diminishes over time, suggesting that providing this wealth early matters significantly more.
- **Student Debt as a Barrier:** High student debt significantly delays achieving asset security and empowerment. For Asset Poverty 1, **50% of low-debt individuals become asset secure within one-year postgraduation, while it takes six years for high-debt individuals.** Similarly, for Asset Poverty 3, 60% of low-debt households become asset empowered, compared to only 40% of high-debt households.

Policy Implications

The findings underscore the urgent need for a “**social welfare revolution**” in America, moving beyond a minimal safety net to actively fostering financial capability and economic growth for all citizens.

Shift from Consumption to Capability

Policy should focus on building “fishers” rather than merely providing “fish” (income). This requires fostering financial literacy and financial inclusion.

Economic Mobility

Three rungs of the economic ladder were identified based on the three measures of asset poverty used in this study and the hierarchical financial needs theory. The authors suggest that these three rungs

represent different standards of living and levels of access to the “American promise” of pursuing financial happiness. These rungs are:



Survival

This rung describes families who are focused on meeting daily expenses and are highly susceptible to income shocks. For those on the survival rung, saving is primarily about having enough to make it to the next paycheck, indicating that their basic income is often insufficient for consistent survival. They live “hand to mouth” with little to no ability to build wealth for the long term. Findings indicate that a majority (63%) of Black college graduates are found to be living at a survival standard.



Security

Families on the security rung are better equipped to handle income shocks and focus on building wealth to protect themselves during a crisis when income might be cut off. While their income is sufficient for current survival, they need wealth to provide a cushion against life’s uncertainties. Findings indicate that a majority (75%) of White college graduates are living at a security standard. However, being at this rung still falls short of the American ideal of pursuing economic happiness, which may lead many to feel that the current system is failing them.



Growth

This rung of the ladder represents a standard of living where individuals are actively building wealth for long-term growth and development, giving them the freedom to pursue their economic happiness. This standard is associated with being “asset empowered,” meaning an individual is on track to achieve significant financial goals like comfortable retirement. However, the study finds that only a small percentage of college graduates, regardless of race, reach this growth standard.

Progressive Policies Based on Economic Rungs

Social welfare policies should be progressively designed based on a family’s position on the economic ladder (survival, security, or growth), providing more assistance to those at the survival rung, but still offering aid to those at the security rung to help them achieve growth.

Addressing Wealth Inequality as an “American Problem”

While the Black/White wealth gap is critical, wealth inequality is a broader

issue impacting the majority of White college graduates who are stuck at a “security” standard. Policies should aim to enable all Americans to reach the “growth” standard, though specific larger wealth transfers (e.g., “Baby Bonds”) may be necessary for Black families to address historical inequalities.

Strategic Wealth Transfers

The authors suggest providing **wealth transfers at four critical life transitions:**

- **At birth:** For early development.
- **Around age 18 (college enrollment):** To help fund and support college education, potentially through Child Development Accounts (CDAs).
- **Around age 25 (transition to independent living):** To facilitate a successful entry into adulthood.
- **At retirement:** To ensure financial security in older age, building upon existing systems like Social Security.

Reform Means-Testing and Asset Limits

Current means-tested policies, which restrict benefits based on income and assets, create a “**ceiling**” on opportunity, trapping families in poverty and discouraging wealth accumulation. These limits must be reformed to allow individuals to build wealth without losing essential benefits.

Invest in Long-Term Solutions

Ending poverty and increasing economic mobility requires long-term interventions that foster financial capability. While these may have higher upfront costs, they are expected to lead to substantial long-term savings by reducing the need for continuous assistance.

Conclusion

The current social welfare system is not merely inadequate; it actively hinders the American ideal of the pursuit of economic happiness for many, perpetuating cycles of poverty and limiting upward mobility. A **revolutionary reform** is needed to transform the system from a minimal safety net to one that empowers citizens to achieve long-term financial well-being and thrive.