Wealth, Income, Financial Literacy, & Financial Inclusion:

The Conditions Needed for Creating a Meritocracy

By William Elliott

This Perspective presents remarks delivered by Dr. William Elliott in an address given during "Cities for Financial Empowerment. Coalition," April 3, 2025. The event was organized by the Cities for Financial Empowerment Coalition under the leadership of Jose Cisneros, Treasurer of the City and County of San Francisco and Nichole Davis, Deputy Commissioner of the Office of Financial Empowerment, New York City Department of Consumer & Worker Protection.

Ending poverty requires rethinking what it means to be poor and, thus, what it will take to solve poverty. Currently, poverty is often thought about from a financial needs perspective: Do families have sufficient income to be able to consume enough to meet today's needs? This definition of poverty results in policies that target getting families above the "poverty line" but ignore **positioning an individual to reach their full capability** (i.e., happiness). Poverty is not only about today but also the futures that families and their children can achieve. It is about what people can do and become when their individual resources are augmented by societal institutions, knowledge, and resources. From this perspective, poverty is a financial capability problem, not a consumption problem. And thus, the target for which policy should aim is to make people financially capable, not unpoor. Given this, I suggest that the purpose of the government is to provide its citizens with the conditions necessary to be financially independent.

Financial Independence

As used within a financial capability framework, financial independence does not mean that a person acting in society acts independently. Everyone benefits from public policies—tax deductions, social security in retirement, public goods like roads, regulation of commerce, property rights, etc. Thus, no person truly acts outside of the influence of public policy. As such, financial independence is not about an individual's ability to function in their economic environment. ***It is about how the economic environment functions with respect to augmenting an individual's capability.*** Financial independence means having the freedom to choose (i.e., without barriers) and having those choices matter for the outcomes an individual can achieve.

The Components of a Financial Capability Theory for Ending Poverty

An individual's financial capability is what they **can do** (i.e., their potential) and **be in the future** (i.e., future possible selves) (Sen, 1985, 1999). I suggest that financial capability consists both of an individual and institutional component. Given that the individual component is often discussed when talking about financial capability (Xiao, Huang, Goyal, & Kumar, 2022), with a notable exception (Sherraden, 2013), I focus on the institutional component in this perspective. This is because more ways to measure the individual component already exist, and there is more theory development as well. Further, my main focus in talking to this audience is to provide guidance on how governments can fulfill their role in ending poverty. However, in this financial capability theory for ending poverty outlined here, both play an important role in determining the level of financial capability an individual has. The most practical example I can give, that many of you may relate to, is when one of my kids comes home from school and says my teacher

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does not like me. I tell them I do not want to hear about the teacher or the school. Instead, I talk to them about what they control, their own behavior and how they can adjust it to fit their environment (e.g., spend more time on homework, etc.). But when I am talking to the school, I focus on what the school can do to better help my child reach their full potential. What I am suggesting is that each has a role to play. Further, each is most likely to fulfill its role when it is focused on itself role and not on what the other is or is not doing. The component of financial capability that governments are responsible for, is assuring that people have the conditions to be financially independent.

An economic environment that provides an individual with financial independence adheres to the following principles:

a. **Financial inclusion** – assuring every individual is part of a financial institution that can build wealth on their behalf at a level that will allow them to achieve a financial goal,

b. **Income** – assuring every individual has enough income to spark growth and wealth production,

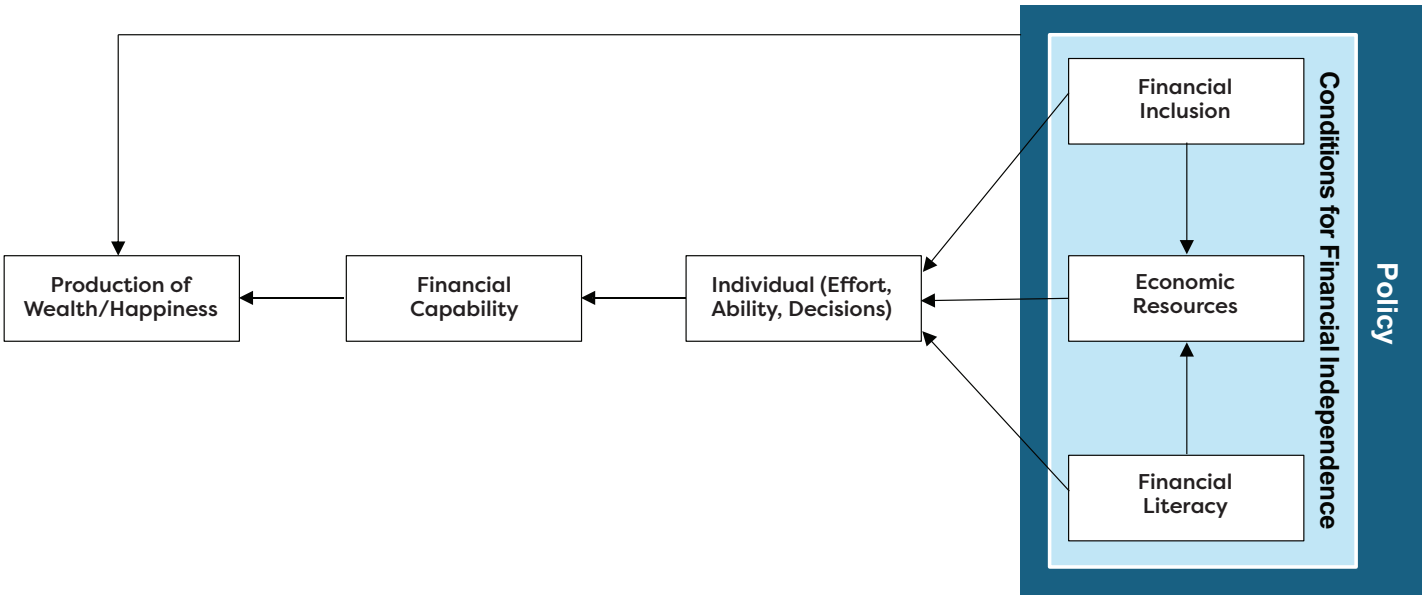
c. **Wealth** – enough wealth to be able to activate the institution producing wealth at a high enough level to achieve a financial goal, and

d. **Financial literacy** – enough training to allow an individual to be able to allocate economic and personal resources strategically in pursuit of a financial goal

Again, financial independence is the part of ending poverty the government is responsible for. The principles of financial independence provide a blueprint for governments to create a strategy for ending poverty and for assuring the marketplace works as a meritocratic playing field where competition determines winners and losers not social class. In designing institutions using these principles governments have to consider at what level each of the principles exist for a particular group of people. If a group of people have less income, for example, they may require that the institution designed provide tools like incentives or if they have less wealth, provide larger initial or ongoing deposits, or if they have less financial literacy more decisions will need to be made by the institution, etc. until financial literacy training for reaching a financial goal becomes readily available. So, the principles cannot be thought of in isolation, they work together.

However, just because governments provide the conditions so that an individual is financially independent, it may not accurately reflect what they are financially capable of. That is, financial capability is not synonymous with financial independence. This is because the level of financial capability an individual has is also determined by the individual themselves and their level of effort, ability, decision-making, and their preferences. Maybe somewhat ironically, the better government is at providing the conditions for financial independence, the more the individual matters for the kinds of outcomes they can achieve.

Figure 1. *The Elements of a Financial Capability Theory for Ending Poverty.*



Functionings are Key to Measuring Financial Capability

Somewhat ironically, like the income field, the asset field has adopted a financial needs approach to poverty. For example, to determine if a household is asset-poor, the field suggests calculating the minimum amount of wealth a household would need to remain just above the federal poverty line long enough to make it through an economic shock. There are two different ways that asset poverty has been defined; the first is the most popular:

- Asset Poverty 1: residing in a household that lacks sufficient wealth to remain above the official poverty line for three months (Haveman & Wolff, 2000).
- Asset Poverty 2: residing in a household that does not possess wealth equivalent to three months of total family income (Wolff, 2017)

In both instances, the focus is not on what is required for a person to have the opportunity to reach their full potential. Instead, it is on how much an individual or household needs to consume to maintain a minimum standard of living.

Within the financial capability framework, functionings are about what an individual **can do today** (i.e., current performance) and **who they are today** (i.e., self-identity) (Sen, 1985, 1999). They provide a way to assess whether an individual is "on course" for reaching their full potential. Given that financial capability is about what people can be in the future, and it is impossible to measure what is not yet observable, we have to measure whether an individual is on course to reach their full potential. Here, full potential means being on course to reach a financial goal.

The financial functioning of an individual can be measured using the behaviors (e.g., save or not save) and outcomes (e.g., amount saved) that result from the decision-making, effort, and ability of individuals. So, instead of talking about whether an individual is asset-poor, from a capability's perspective, the conversation shifts to whether they are asset-empowered. **An individual is asset-empowered when they have a level of financial functioning to where wealth is being produced in a high enough amount, both by them and the institution, that they can be said to be on course to achieve a financial goal sometime in the future.**

Building off of this definition of financial capability, in a working paper, we use what financial brokers (Fidelity, 2025) define as the amount of annual income an individual should save to be able to live comfortably in retirement as evidence of being asset-empowered:

- Age 30 – have saved an amount equal to your annual salary
- Age 40 – have saved an amount equal to three times your annual salary
- Age 50 – Have saved an amount equal to six times your annual salary
- Age 60 – Have saved an amount equal to eight times your annual salary

The different savings goals are based on evidence about how much wealth a person should have at different age ranges to be considered "on course" to reach the goal of living comfortably in retirement. We might see how different institutions might be needed for different people to remain on course depending on their current economic situation. We might also see how institutions have to provide a way to adjust the flow of wealth into accounts depending on the economic conditions in society (Elliott, 2023). This is not to say this is the only way asset empowerment can be operationalized. Part of how it is operationalized will depend on the financial goal and looking at standards about what is needed to be on course. Instead, this example is only meant to show how using the financial capability definition provides a different way of defining what it means to not be asset poor.

Now it still is the case that a person can be asset empowered and not financially capable. This is because an individual's financial capability is not only a product of their own effort, ability, and decision-making but also a product of their financial independence. And so, for example, a person could simply inherent enough wealth to be asset empowered by this definition while not being financially capable because they themselves are not capable of producing wealth. This considers that financially capability consists of both individual and institutional functionings. In contrast, most popular financial capability theories emphasize either the individual (e.g., Xiao, Huang, Goyal, & Kumar, 2022) or institutional (e.g., Sheraden, 2013) aspects of financial capability.

Wealth's Role in Determining an Individual's Functionings

When people own assets, they gain corresponding characteristics that go beyond the economic value of the asset and help make up who they can become, their financial capability. More specifically, assets can be transformed into personal characteristics that augment and become integrated into an individual's functioning. In line with this, Sherraden (1991) has hypothesized that assets produce certain indirect effects, such as:

- Financial stability
- Orientation toward the future
- Capitalist (i.e., a builder of wealth)
- Focus and specialization
- Risk-taking
- Confidence
- Social influence
- Political influence
- Enhance the welfare of offspring

These indirect effects can become internalized. Internalization is the process by which an individual makes the characteristics associated with owning assets external to them a part of how they identify themselves. That is, to the point they become rooted in their beliefs about who they are (i.e., their self-identity) and are consistently observable in their behavior. So, in the case of indirect asset effects, it is not that the asset is being used to purchase a good (i.e., direct effect of owning assets); instead, it becomes a part of the individual's functioning.

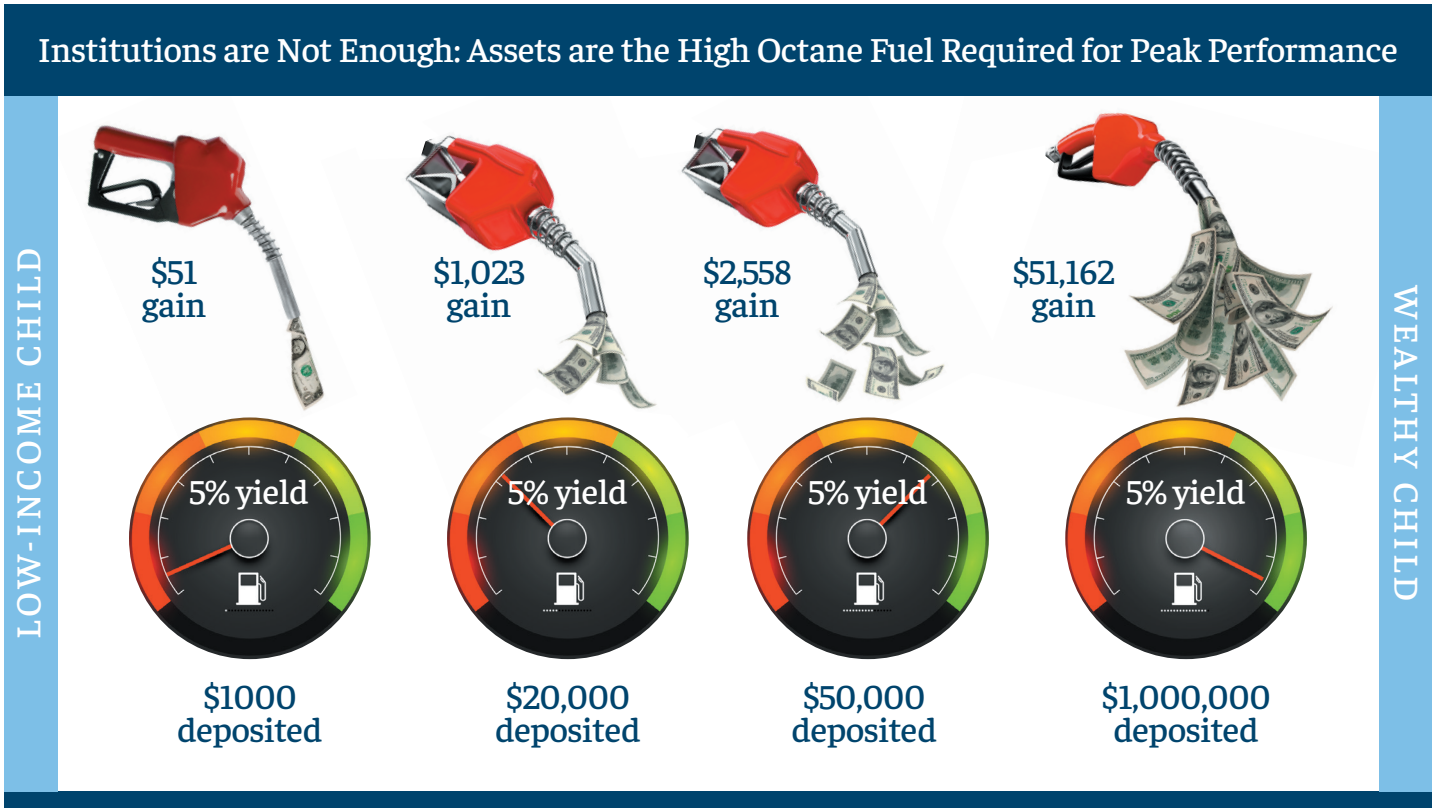
Wealth Enhances Institutional Functioning

The amount of wealth individual has to save helps determine whether an individual can be said to be fully included in a financial institution. That is, an individual can have access to a financial institution but lack the wealth needed for that institution to start producing new wealth on their behalf. In capitalist economies, wealth is the fuel financial institutions need to reach peak levels of wealth production.

Simply put, the more wealth an individual puts into a financial institution the more wealth that institution can produce for them.

For instance, let's imagine a person puts $1,000 in a high-yield savings account with a monthly Annual Percentage Yield (APY) of 5%. If they deposited nothing else that year, they would earn about $51.

Figure 2. *Institutions are Not Enough*



However, if they had $20,000, the account would produce $1,023 for them; if they had $50,000, it would produce $2,558; and if they had $1,000,000, the account would produce $51,162 for them, above and beyond any effort they expended on their own. Or it could be said that the institution produces over $51,000 of wealth for the child who has a million dollars to put into their account and $51 for the child who has $1,000 to put in their account.

A similar example can be found in the Children's Savings Account (CSA) field. At age 14 the average treatment child in SEED for Oklahoma Kids or SEED OK, which started at birth with a $1,000 initial deposit in 2007, has about $4,373 in their account among participants who had not made a deposit themselves (Clancy, Beverly, Schreiner, Huang, & Sherraden, 2022). The CSA institution produced about $3,373 in new founds for the average child in the

program. Similarly, Maine's statewide program, My Alfond Grant, puts $500 into each child's account at birth. The $500 Alfond Grant invested at birth is now worth $2,066 for the oldest recipients who entered the program in 2008 (Quint, 2024). It is interesting to note, that the amount of initial deposit in SEED OK was double that of the Alfond Grant and the amount the different CSA institutions produced is about double as well. This provides a vivid illustration of the power of how wealth building more wealth in a CSA account. Further, it speaks to the importance of high interest rates or investment earnings as a tool that CSAs use for building wealth over time, and what programs loose by not having this tool at their disposal. It might be argued that providing incentives replace this tool, but they really do not. Interest is calculated as a percentage of the account balance, so subtracting money from the balance only reduces the power of the account to build wealth on part of the child.

When defining financial independence, I said of institutions, that government should assure an individual is part of a financial institution that can build wealth on their behalf at a level that will allow them to achieve their financial goal. This suggests that institutions might have to work differently depending on, for example, the amount of wealth a person starts off with or the amount of income they can earn from work. So, for low-income families or historically disadvantaged groups, simply assuring they have access to a financial institution will not be enough to meet this criterion. The CSA institution was designed with this in mind. It has built-in tools that augment the capacity of low-income families to build wealth. So, for instance, CSAs often provide a match, put a $1 in get an extra $1 or more back into the account from the program. They also often provide the opportunity to earn incentives for doing a variety of different activities. This all is with the understanding that low-income families by definition have little money left over to save for their financial goals after they pay for their basic needs. These programs also often provide an initial deposit to jump start the institution working on their behalf to build wealth. Even though this is nullified in programs where the initial deposit and any money put into the account from the government/program does not earn interest or investment earnings. So, the initial $50 or $500 deposited by the program, remains $50 or $500 years later when the child is 18 and needs to pay for college if they are not able to contribute. The nature of the institution also speaks to what size the initial and ongoing deposits should be. The inability to earn interest or investment earnings means an even larger initial or ongoing deposits are needed to meet the financial inclusion criterion of financial independence. Therefore, it is reasonable to ask, when it comes to the current design of CSAs, which are small dollar (initial deposit of $5 to $1,000 with no additional reoccurring program deposits), if the design is producing wealth at a level commensurate with them reaching the goal, for example, of paying for college?

However, features, not yet well exploited, such as the ability for third party contributions have promise of getting the CSA to produce wealth at a level more in line with the goal of paying for college. In weighing the size of the initial or ongoing deposits that are needed, the government has to understand the capacity of the CSA institution for building wealth though all of its tools (e.g., interest, investment, third party contributions, family contributions, etc.). To reach loftier financial goals like paying for college or reducing wealth inequality, the CSA institution might need to also be integrated with programs such as a Baby Bonds program or free college. That is, provide a much more substantial initial or ongoing deposits. This also has the added advantage of making it easier for families to navigate, multiple programs and accounts make it difficult for families to get their benefits. Further, it also better maximize the investment of the government. Splitting the money into different accounts reduces the power of that money to build wealth in any of the accounts as demonstrated in the high yield savings account example.

The point here is that the elements outlined in this perspective that makeup financial independence should serve as a guide for to governments on how institutions should be designed to help different population attain desirable financial goals. The traditional thinking that there should be one size institution that fits everyone does not align with the idea of America being a meritocracy, at least not at this point in history where inequality related to income, wealth, and even financial literacy are substantial.

Financial Institutions have an Important Role in Producing Wealth

Financial literacy and financial inclusion work together to help determine an individual's financial capability. Financial literacy (i.e., skills and knowledge) is a measure of an individual's financial functioning. People who are financially literate have the knowledge and skills to allocate economic resources strategically and use financial institutions to augment their wealth production. This does not mean, however, that they have the opportunity to use their financial knowledge and skills (Sherraden, 2013). For example, they may know that a high-yield savings account offers them the opportunity to earn up to about 5% interest, while a regular savings account typically earns about a half percent (.5%). However, they may not have access to a high-yield savings account. Financial institutions provide tools that can be used to build wealth. In the high-yield savings account example, interest rates are a tool that augments an

individual's functioning by turning the money they put into the account into more money. Being financially included gives individuals access to an institutional playing field designed to build wealth. It is worth noting, some playing fields are better equipped to help build wealth than others (e.g., regular saving accounts vs. high-yield savings accounts). One of the things that makes Children's Savings Accounts (CSAs) potentially one of the most powerful wealth-building institutions is that they allow for third-party contributions from such actors as family members, employers, philanthropists, communities, and other entities in addition to government (Elliott, 2023). CSAs are wealth-building accounts currently focused on helping low-income children pay for college, but they can be expanded to different financial goals like buying a home, starting a business, or saving for retirement. Further, if we understand that financial institutions provide tools for building wealth, we can also think about what kinds of tools should a CSA have to build wealth for low-income children.

Income Interventions Focus on Changing an Individual's Current Economic Environment

In describing income, in *Assets and the Poor,* Michael Sherraden (1991) said, "Income refers to the flow of resources in a household, a concept associated with consumption of goods and services and standard of living" (p. 5). Because income is something people consume, it is something that is here one minute, gone the next. As such, income by its very nature is meant to solve today's problems. So, interventions like guaranteed income should be thought of as interventions meant to "directly" change people's current living conditions. Therefore, we should expect that its impacts, in most cases, will not last long after the intervention has stopped, and the flow of income has been cut off. So, if a child lives in a family that is poor and they receive guaranteed income payments for two years, while they are receiving the payments the child can eat more and housing is more stable, for example. In this manner, their current conditions have changed in an impactful way, but their future economic conditions remain unchanged. And so, when the future comes, after the two years of payments stop, they return to living a life of poverty because the poverty strategy did nothing to change the future, it only focused on the now. Low-income families in these programs recognize the reality that while their conditions today have changed, their future remains the same. When people are forced to rely on income alone, they gain the characteristic of being present time oriented (i.e., learn to be present time oriented). Anyone who has been poor even a little period of time, knows that shortly after you get paid you begin to count the days until the next pay. Your life is lived not in years, but days or weeks until the next pay.

Still, most income programs to include guaranteed income run for a limited time. In the case of guaranteed income, they usually run for around 2 to 4 years (Castro, 2024). I should point out that these programs did not start as two-year programs because evidence suggested this would be best for producing impacts. Instead, it was because that was all the money that was available to fund the initial pilot programs. In fact, many proponents of guaranteed income advocate for it to be a lifetime program (Castro, 2024). This is an important point that is often lost when evaluating the success of such programs. The very nature of income suggests that income-driven interventions should be judged on their impact on an individual's current conditions. It also suggests that income programs need to be longer-term interventions or without time restrictions on access. (This has implications for programs like Temporary Assistance for Needy Families/TANF). As stated here, the goal of government is to provide the conditions for its citizens to be financially independent. A person who cannot eat a balanced meal, have enough clothing to have a fair shot on an interview, or have adequate shelter cannot be said to be free to make financial decisions; that is, they do not live in conditions that allow them to become financially independent. However, if might even be said that income programs can never really create financial freedom on its own. This is because income's impacts are confined to changing an individual's current conditions, but freedom requires the ability to change their future conditions as well. This is where wealth comes in.

Wealth Interventions Focus on Changing an Individual's Future Economic Conditions

In contrast to income, in speaking about assets, Sherraden (1991) noted that "Assets refer to the stock of wealth in a household" (p. 5). The notion that assets are a stock suggests they are something stored up and not meant for immediate consumption. Therefore, it is reasonable to conclude that they are not meant to "directly" change an individual's current conditions, like income, but rather their conditions in the future. This reflected in how asset-building programs are designed. Individuals in CSA programs, for example, often cannot access the money in their accounts until they turn 18, even though these programs mostly start

at birth or kindergarten. So, from their design, these programs are expected to produce "direct" impacts (i.e., impacts from spending the asset) in the future, not today.

However, it is important to also note that there is a growing body of evidence that ownership of long-term assets produces "indirect" impacts early on in a child's life by changing how the parents and the child perceive of the child's future (e.g., Elliott, 2024). Similarly, if income was stable over a long period of time, we could imagine it producing some of the same indirect impacts that wealth does. However, its impacts on the future would likely be less stable than wealth's, going up and down with each economic shock, in much the same way as consumer sentiment does. In contrast, research shows, for example, that changes in parental educational expectations among CSAs participants are stable over time (Kim, Sherraden, Huang, & Clancy, 2015).

Overall, then, we should expect asset interventions like Baby Bonds and CSAs to have "direct" impacts that occur many years later. Conversely, income interventions like guaranteed income will have "direct" impacts that occur in the short term. This does not mean that either income or asset interventions are more important. But it might make it easier to see how income and assets are both components of poverty and how they complementary to one other. Therefore, I suggest ending poverty demands, that income strategies (i.e., can consume enough today) and asset strategies (i.e., can consume enough in the future) be implemented at the same time to be successful. Income first is not a strategy to end poverty. Poverty is experienced as both a now problem and a future problem. If policies and interventions only address the now part of poverty, most families who are poor are likely doomed to return to poverty in the future. I suggest this is why poverty appears to be cyclical in nature (Lewis, 1966). However, it is not that the poor so much return to poverty, it continues to exist in their future.

I will focus next on the concept of institutional substitution and not the broader financial capability framework because this is the component of the theory where the most confusion appears to be. Understanding the distinction between institutional interventions and typical behavioral interventions is important for understanding the different types of outcomes researchers might want to consider when assessing the effectiveness of an intervention whose goal is to create financial independence. It

Institutional Substitution and CSAs

It is important to clarify that traditional institutional theories are often modeled after behavioral theories of change. Behavioral theorists create interventions designed to change individual behavior. However, asset- building programs, as well as income programs, in large part, are directed at changing the economic environment people live in. Given this, a theory of change is needed that explains how interventions designed to change the economic environment can create change. The CSA field relies heavily on Beverly and Sherraden's (1999) institutional theory of saving behaviors. However, it is suggested here that the theory also largely takes a behavioral approach to understanding how change happens.

Distinguishing Institutional from Behavioral Interventions

Major foci for the asset-building field shortly after Sherraden wrote *Assets and the Poor* (1991) were on providing evidence that the poor can save. For example, in an early paper outlining the institutional theory of saving, Beverly and Sherraden (1999) said,

> However, at least two questions **precede** this discussion [the discussion about the **positive effects of asset** accumulation in low-income households, they are:] Can the poor save? And, if so, how can programs and policies promote saving by the poor? (457)

The implication was that the field first needed to answer the question of "can the poor save?" and then explain how institutions could be designed to promote saving among the poor. Research from the American Dream Demonstration on Individual Development Accounts (IDAs), the precursor to Children's Savings

Accounts, answered the first question by showing that when low-income families are given access to an IDA, the poor can save (Schreiner & Sherraden, 2007). The institutional theory of saving was developed to answer the second question. It did so largely by explaining how institutions impacted a low-income family's decision to save and how that decision impacted their saving behavior. ***This made sense because the main understanding of how assets could be accumulated in IDAs at the time was through personal savings (i.e., individual behavior).*** Moreover, these programs were administered in traditional bank accounts with low interest rates, and there were few programs or government funds to go into accounts. However, focusing on institutions' impact on the ***decision to save*** took the focus away from explaining how institutions, at times, act as a substitute for decision-making and the importance of understanding this when designing social welfare policies for low-income families.

In fairness and notably, by the time the CSA field really developed, the question of whether the poor can save began to fade into the background, having already largely been answered. The first major demonstration of CSAs started in 2003 and was called Saving for Education, Entrepreneurship, and

Downpayment (SEED). ***A lesson learned from the SEED demonstration was that CSAs may have positive attitudinal, behavioral, and social effects or what have been called asset effects or indirect effects on the individual (Sherraden & Stevens, 2010).*** In line with these insights, CSA researchers began to focus less on saving and more on explaining how CSAs could produce asset effects, a key turning point in the CSA field's evolution.

Given this, CSAs began to be thought about less as financial instruments for saving, particularly among researchers, and more generally as financial vehicles to facilitate wealth building for low-income families. This is further illustrated in the experimental test of CSAs called SEED for Oklahoma Kids (SEED OK). SEED OK was developed as part of the SEED demonstration and represented a split at the time in the field. The split was over whether the focus should remain on saving through programs administered at the local level or on universal automatic and progressive accounts delivered through a savings-plan structure and focused on producing asset effects and wealth building more generally. ***The focus of this research was to demonstrate that it is possible to implement universal, automatic, and progressive CSAs starting at birth (note these are institutional, not behavior outcomes).*** In line with these goals, the research from SEED OK centered on asset effects and the potential of the CSA financial structure for building assets, not catalyzing individual saving. An important way to understand asset effects within an institutional framework is that they are changes that occur in the individual because of changes in the environment. Like behavioral change theories, which can also have indirect impacts on the environment due to changes in the individual's behavior, an institutional substitution intervention can produce changes in an individual by changing their experiences with an institution or their economic environment.

Institutions Can Sometimes Act as a Substitute for Individual Decision Making

Savings can occur, for example, due to a person's functioning when a ***person decides*** to deposit money into their account. However, saving can also occur as a function of institutions. In talking about the role that institutions play in retirement saving, for instance, Sherraden (1991) said, "This is not a matter of making superior choices. Instead, a priori choices are made by social policy, and individuals walk into the pattern that has been established" (p. 127). In this statement, Sherraden alludes to a different kind of institutional intervention, one that is not focused on how institutions can influence the decision to save but on how institutions can act as a ***substitute*** for an individual having to decide. Notably, the institutional theory included a construct called facilitation, and the institutional substitution framework builds on this determinant. In describing what facilitation is, Beverly and Sherraden (1999) talked about mechanisms that make saving predetermined, like payroll deductions.

What is the Assumption Behind Institutions as Change Agents?

What I am calling institutional substitution attempts to explain the part of outcomes that are determined by financial institutions and by a person's economic environment. The term "outcome" is used here instead of behavior because institutional substitution is not concerned with explaining an individual's behavior. Further, outcomes are not always associated with an individual's behavior. ***Instead, it is assumed that individuals, on average, function similarly. It is differences in how institutions and the economic environment support or disadvantage people that explain a meaningful part of outcomes such as college enrollment rates.*** This is the direct opposite assumption that most social psychology and behavioral economic theories make. They almost always assume that people decide and act and experience outcomes on a fair playing field, where outcomes generally correspond with individual effort and ability—in other words, in a meritocracy (e.g., Scheier & Carver, 1987). We can see how institutional and behavioral theories of change can complement one another.

What Do Institutional Substitution Interventions Look Like?

These different assumptions about how much behavior matters in explaining outcomes translate into different program and policy designs. Using institutional substitution to increase savings frequency, for example, would mean doing things to make saving more about institutions and less about the decision to save. Indeed, a pilot CSA program in Italy made saving mandatory by requiring participants to go no more than two consecutive months without making a deposit (Martini, Azzolini, Romano, & Vergolini, 2021). This can be categorized as an institutional intervention because it attempts to remove the individual decision-making aspect and replace it with an institutional strategy, in this case, mandatory saving. This institutionalization of saving resulted in 94% of low-income families making a deposit (Martini et al., 2021). It is worth noting that I am not advocating for mandatory savings. Further, it is made more acceptable in this case because it is an opt-in program. Because it is an opt-in program and families still have to decide to save, this is not a 100% institutional substitution intervention. Further, I use it to suggest that we can think of interventions and design interventions that fully substitute for decision making, as in the case of automatic enrollment, or design interventions that to a greater or lesser degree substitute for decision making.

Knowing that institutions can be designed to act in place of people having to decide, policymakers can choose which is an appropriate role for institutions in each policy circumstance and to what degree. **I am suggesting that in the case of social welfare policies that provide government resources to people to preserve the ideal of America being a meritocracy, institutions should be structured so that families must decide not to participate.** CSAs do this now in the case of automatic enrollment. This has resulted in nearly 99% of families in programs like Maine's My Alfond Grant receiving an account (Elliott, 2018). **Automatically enrolling all children into a CSA program is an institutional substitution intervention. Doing so provides every child with a financial structure capable of efficiently carrying assets and potentially even income to all children at the turn of a valve** (Elliott, 2023).

The Case of CollegeBound Boost

The City of Saint Paul's CollegeBound Boost intervention provides the opportunity to rigorously test the different principles of a financial capability theory for ending poverty. Saint Paul has a citywide Children's Savings Account (CSA) program called CollegeBound that is offered to all newborns. Through the addition of income and asset interventions in what they are calling their CollegeBound Boost experiment, they have created an intervention that consists of all the conditions needed for their children to become financially independent:

- The CollegeBound Component provides:
  - **Financial Inclusion:** assuring every individual is part of a financial institution that can build wealth on their behalf at a level that will allow them to achieve a financial goal – automatic enrollment into the CSA program,
  - **Financial Literacy:** enough training to allow an individual to be able to allocate economic and personal resources strategically in pursuit of a financial goal – wealth literacy training for children and parents.
- The Boost Component provides:
  - **Income Support:** assuring every individual has enough income to spark growth and wealth production – monthly guaranteed income payments ($500 per month),
  - **Wealth Production:** enough wealth to be able to activate the institution producing wealth at a high enough level to achieve a financial goal – quarterly deposits into their CSA ($250 per quarter).

Table 2 provides information on the theoretical elements, programmatic elements, best practices, and how CollegeBound Boost is implementing the program. As such, it provides a template for assessing the fidelity of the program based on best practices. For example, a best practice in the field is to automatically enroll all participants into the program. However, because Minnesota law does not provide public birth records for children born to single parent households, the city is not able to automatically enroll all newborns into the program. To adjust for this, they are attempting to have children without a public birth record enrolled when they enter kindergarten. The effectiveness of this strategy will help determine how well their program matches up with best practices. Similarly, due to tax laws, bank administered CSAs are not able to offer interest on deposits that are not made by the participant. So, any money put in by the City does not earn interest. Further, because accounts are administered using a traditional savings account, participant contributions only receive a half percent interest. Whereas best practices within the CSA field suggest programs should use a financial institution that provides the opportunity for investment growth.

In addition to best practices, the principles of financial independence can also be used to assess the fidelity and/or the effectiveness of the intervention. For example, the income principle can be used to assess whether a guaranteed income of $500 is enough money to support growth and wealth production.

From a behavioral perspective, regarding growth, an evaluator might examine if family members are more likely to enroll in some type of career/educational training. From an institutional standpoint an evaluator might create a measure to examine how much the guaranteed income can be expected to contribute to their ability to afford participating in some type of career/educational training whether they do or not. Regarding wealth production, an evaluator might examine if families who receive guaranteed income payments in the amount of $500 per month are more likely to save or if they are more likely to have put money aside some money for an emergency. In contrast, from an institutional lens the evaluator may construct a measure to assess if there is any money left over after they meet their basic needs and find a standard for how much people typically save of their income at a certain income level. Then figure out how much of the guaranteed income could be expected to go toward wealth production whether the family saves or not. These are but a few examples. Below I provide a more detailed example of a way to potentially measure institutional outcomes related to food insecurity and housing insecurity.

Table 3 distinguishes between how to measure institutional and behavioral outcomes. These also are ways to use the financial capability theory for ending poverty to assess the effectiveness of the intervention in relation to the income principle. For example, the typical way studies have measured food insecurity is from the perception of the individual. Does the individual perceive they have more money to eat? And while indirect effects on individual perceptions are expected, these can take time to manifest themselves and fluctuate in the same way that people's perceptions of the economy can also waver. A good example of this can be found in research on consumer confidence (e.g., Carrol, Fuhrer, & Wilcox, 1994; Howrey, 2001). Further, people's perceptions captured in surveys may be a good reflection of actual economic conditions at the time of the survey, but these can change rather quickly. For instance, the consumer price index is calculated monthly, whereas most research studies happen every year or even longer. When the economy goes into a recession or a period of hyperinflation, for example, consumer confidence generally falls sharply. However, it can fall even when the economy is doing well, but people feel as though things will get worse in the future because of the start of a pandemic or a turbulent presidential election. Additionally, because surveys are given at the individual level and data analyzed at the individual level, consumer confidence in a family or individual can be stronger or weaker at a given time because of things happening within the family. What this suggests is that it might not be a good practice for governments to determine the success of a policy "solely" on survey data (i.e., measures of individual perceptions), and even worse when it is survey data from a single point in time. This is a strong reason for needing to evaluate policies over multiple years.

Table 2. *Theoretical Elements, Programmatic Elements, Best Practices, and Implementation*

Theoretical Elements		Programmatic Elements	Best Practices	Implementation (Use to Assess Fidelity of Implementation)

Institutions/ Financial Inclusion		Children's Savings Account (CSA)	• Eligibility for all—everyone is included and gets a stake.
			• Automatic enrollment—remove barriers to enrollment.
			• Automatic initial deposit—jump-start wealth accumulation.
			• Start young—maximize wealth-building potential.
			• Targeted additional deposits—those with greater need get more.
			• Facilitate multiple streams of assets—third party deposits.
			• Centralized savings plan—enable implementation and reduce costs.
			• Investment growth—augment the wealth-building capacity of families.
			• Simplified investment options—make decisions easy.
			See Cisneros et al. (2021.
				• Eligibility for all
				  • Children are eligible for CollegeBound Saint Paul if they are born on or after January 1, 2020, and meet one of the following two criteria: — Are a Saint Paul resident at birth or become a Saint Paul resident before the age of six.
				• Automatic Enrollment
				  • Has public birth records, automatically enrolled.
				  • Does not have a public birth record, must opt-in to the program from birth until kindergarten. However, when they reach kindergarten age those who have not opted in will be automatically enrolled using school records.
				• Automatic Initial Deposit - $50 automatic
				• Start young – Birth or Kindergarten
				• Targeted additional deposits – quarterly deposits ($250 per)
				• Multiple streams of assets – allows for third party deposits
				• Centralized savings plan – no, uses Bremer Bank
				• Investment growth – no, only bank interest
				  • They don't offer interest on deposits that are not made by the participant; so, any money put in by the City or third parties does not earn interest. Participant contributions receive a half percent interest.
				• Simplified investment options - no

Economic Resources	**Income**	Guaranteed Income ($500 per month over two years)	• Unconditional cash transfer • Recurring and predictable amount of cash • Spend as see fit *See* Castro (2024).	• Offers an unconditional cash transfer – $500 • Recurring amount of cash – monthly over two years • Spend as see fit – no restriction on spending
	Assets	Quarterly Deposits ($250 per quarter over one year) – Based after Baby Bonds	• Start young • Publicly financed • Trust account • Accessible at age 18 • Progressive – poor get more • Transfer wealth - initial deposit of $1,000 with ongoing deposits of $2,000 every year after until age 18 *See* Darity (2024) and Booker (2023)	• Start young – at birth or kindergarten • Publicly financed – financed in part by City • Trust account – CSA administered by Bremer Bank • Accessible at age 18 – funds cannot be used until age 18 • Progressive – the program is only for low-income families 300% of the poverty line • Transfer wealth - initial and ongoing deposits - $250 initial deposit; thereafter $250 for the next three quarters for a total of $1,000 in year 1.

Financial Literacy* (Knowledge & Skills)		Financial Literacy	• Know the individuals and families to be served
			• Provide actionable, relevant, and timely information
			• Improve key financial skills
			• Build on motivation
			• Make it easy to make good decisions and follow through
			• Raise standards for financial educators
			• Provide ongoing support
			• Evaluate for impact
			See U.S. Financial Literacy and Education Commission (2020)
				• Wealth literacy in the classroom lessons for grades K-4 implemented by school counselors during the school day.
				• Wealth literacy in the community workshops implemented by wealth justice accredited partner sites targeted for elementary-aged caregivers.
				• Main Training Goals:
				  • Learn practices for navigating the financial system.
				  • Understand value and use of financial system(s).
				  • Learn how to work through financial trauma.
				  • Grow wealth-building capacity.

In Table 3 food insecurity is measured as an objective change to the economic environment citizens experience in Saint Paul. For example, under institutional outcomes, food security is listed, but it is not an indicator of individual perception; rather, it is **the percent increase in money families have to buy food.** As such, it is not based on individual's perceptions of their families' food security; it is an actual reflection of the money they have to purchase food with if they choose to.

Table 3. *How Saint Paul, MN's CollegeBound Boost Intervention Changes its Economic Environment: Mapping the direct and indirect effects of this change* [1]

	Financial Capability Framework Elements	Operationalizing CollegeBound & Boost	Activities	Institutional Outcomes (Direct Effects: Changing the Institutional of Saint Paul, MN)		Individual Outcomes (Indirect Effects: Changing the Economic Environment to Create Behavioral Changes)	
				Opt-Out Enrollment (Automatic – Pure Institutionalism)	Opt-In Enrollment (Make Decision – Impure Institutionalism)	Opt-Out Enrollment (Automatic)	Opt-In Enrollment
Financial Independence	**Financial Inclusion**	Institution – CSA *Control Group*	• Determine eligibility • Automatic enroll eligible participants • Issue automatic initial deposit ($50)	• % eligible • % received initial deposit • % enrolled **Wealth Building** • % received passive incentives at least once[1] • Total number who receive passive incentives • Total amount of passive incentives made • Total amount in institutional assets[2] • Total projected amount of institutional assets at age 18[3]	• % eligible • % received initial deposit • % enrolled **Wealth Building** • % received passive incentives at least once • Total number who receive passive incentives • Total amount of passive incentives made • Total amount in institutional assets • Total projected amount of institutional assets at age 18	**Well-Being** • Parental educational expectations • Communications • Life satisfaction **Mental Health** • Maternal depression • Child social emotional development **EMPLOYMENT** **Saving** • % made withdrawal • % made contribution • Frequency of deposits **INCOME RELATED** **Housing stability** • Late in paying mortgage/ rent **Food security** • Last 30 Days: Ever eat less than you felt you should • Received free groceries **Household finances** • Have checking account • Have savings account **CREDIT USE** **Wealth Building** • % received active incentives at least once[4] • Total number active incentives received • Total amount active incentives received • Total amount passive incentives • Emergency savings (cover expenses for 3 months)	**Well-Being** • Parental educational expectations • Communications • Life satisfaction **Mental Health** • Maternal depression • Child social emotional development **EMPLOYMENT** **Saving** • % made withdrawal • % made contribution • Frequency of deposits **INCOME RELATED** **Housing stability** • Late in paying mortgage/ rent **Food security** • Last 30 Days: Ever eat less than you felt you should • Received free groceries **Household finances** • Have checking account • Have savings account **CREDIT USE** **Wealth Building** • % received active incentives at least once • Total number active incentives received • Total amount active incentives received • Total amount passive incentives • Emergency savings (cover expenses for 3 months)
	Economic Resources	Assets - QD *Quarterly Deposits (QD) Group*	• Determine eligibility • Issue automatic quarterly deposits for 1yr ($250) • Payout incentives		**AGGREGATE OUTCOMES** • % eligible • % received quarterly deposit • Total quarterly deposits made • % received passive incentives at least once • Total number who receive passive incentives • Total amount of passive incentives made • Total amount of account interest • Total amount of institutional assets	**INDIVIDUAL OUTCOMES** **Saving** • % made contribution • Frequency of contributions • Total amount of contributions made **Wealth Building** • % received active incentives at least once • Total number of active incentives received • Total amount of active incentives received • Total amount of passive incentives • Total amount of individual assets • Emergency savings (cover expenses for 3 months)	**INDIVIDUAL OUTCOMES** **Saving** • % made contribution • Frequency of contributions • Total amount of contributions made **Wealth Building** • % received active incentives at least once • Total number of active incentives received • Total amount of active incentives received • Total amount of passive incentives • Total amount of individual assets • Emergency savings (cover expenses for 3 months)
		Income - GI *Guaranteed Income (GI) & Quarterly Deposits Group*	• Determine eligibility • Conduct GI training • Issue debt card • Automatic monthly deposits for 2yrs ($500)	• % eligible • % trained for GI • % received debt card; contingent on completing training • Food insecurity[5] • Housing security[6]	• % eligible • % trained for GI • % received debt card; contingent on completing training • Food insecurity • Housing security	• % spent on what **Housing stability** • Late in paying mortgage/ rent **Food security** • Last 30 Days: Ever eat less than you felt you should • Received free groceries **Household finances** • Have checking account • Have savings account **Credit use**	• % spent on what **Housing stability** • Late in paying mortgage/ rent **Food security** • Last 30 Days: Ever eat less than you felt you should • Received free groceries **Household finances** • Have checking account • Have savings account **Credit use**

Table continued following page

Table 3. *How Saint Paul, MN's CollegeBound Boost Intervention Changes its Economic Environment: Mapping the direct and indirect effects of this change [1], continued*

	Financial Capability Framework Elements	Operationalizing CollegeBound & Boost	Activities	Institutional Outcomes (Direct Effects: Changing the Institutional of Saint Paul, MN)		Individual Outcomes (Indirect Effects: Changing the Economic Environment to Create Behavioral Changes)	
				Opt-Out Enrollment (Automatic – Pure Institutionalism)	Opt-In Enrollment (Make Decision – Impure Institutionalism)	Opt-Out Enrollment (Automatic)	Opt-In Enrollment
Financial Independence	**Financial Literacy**	Wealth Literacy Child	• Determine eligibility • Student Bank Visit in 1st grade • 10 Deposit Days in School (Pre- K – 3rd grade) • College & Career Readiness Activities during Deposit Days • In School Literacy Training (K-3rd) • After- School Literacy Training	• % eligible • % attend bank 1st grade bank visit • Number of deposit days conducted/% attend (Pre-K- 3rd grade) • Number of college & career readiness activities conducted/% participate • Number of literacy trainings/% attended • Number of after school literacy training/% attended	• % eligible • % attend bank 1st grade bank visit • Number of deposit days conducted/% attend (Pre-K-3rd grade) • Number of college & career readiness activities conducted/% participate • Number of literacy trainings/% attended • Number of after school literacy training/% attended		

[1] **Passive incentives.** Incentives that require no action on the part of the accountholder. These include seed, equity bonus, PPP Bonus, 1st Birthday Bonus and Boost quarterly deposits.

[2] T**otal Amount of Institutional Assets.** Twelve months (i.e., after final QD); this total does not include active incentives or family contributions (individual component). This is to determine the total assets as an institutional product (Initial deposit + Passive incentives + Quarterly Deposits + Interest = Total Amount of Institutional Assets).

[3] **Total Projected Amount of Institutional Assets at Age 18.** Uses chart developed by the Federal Reserve Bank for traditional bank accounts to make estimates. Adjust for Bremer back interest rates.

[4] **Active incentives.** Incentives earned through some type of action on the part of the accountholder. These include portal log- in, financial health bonus, child wellness bonus, CBSTP Family Survey, and Opt-In Enrollment Bonus.

[5] **Food Security**. The percentage or amount CollegeBound Boost Guaranteed Income (GI) payments ($500 per month; total $6,000 per year) improves food insecurity for families (see Tables 4 & 5).

[6] **Housing Insecurity.** The percent or amount CollegeBound Boost Guaranteed Income (GI) payments improve housing insecurity for families (see Table 6).

[7] Outcomes in this table can all be looked at by subgroups such as race/ethnicity, income, and net worth to understand issues of equity.

Tables 4-6 provide some guidance on how to measure change in the economic environment (or in creating conditions for financial independence), along with early evidence of the impact that the CollegeBound Boost intervention is having from an institutional perspective. More specifically, Table 4 shows us that families who earn $15,000 or less and who are receiving guaranteed income payments ($500 per month; total of $6,000 per year) in the Boost study can be expected to have about $1,002 extra for food (or 16.7% of $6,000) in a year or

$209 per month. This is about a 40% increase in what families from this income group can typically be expected to have to spend on food. It is also important to point out this is a very conservative estimate. In the actual spending data from Bremer Bank on participants in Boost who are receiving guaranteed income payments, they spent on average nearly 37% (minimum of about 26%; max of 46%) of their monthly payments on food over a 20-month period (November 2022 to June 2024). This is far higher than the 16.7% expected by the Bureau of Labor Statistics used for the calculations in Table 4. Using the average of the actual amount participants are spending on food (36.96%) as part of Boost, on average, they are spending about $2,218 (more than double the 16.7%) of the $6,000 they receive per year in guaranteed income payments.

Table 4. *Percent CollegeBound Boost Guaranteed Income (GI) Intervention Improves Food Security by Income Level*

Poverty Status	Income Level	Expected % of Income Spent on Food[1]	Expected Income Spent on Food Weekly	Expected Income Spent on Food Monthly	Expected Income Spent on Food Yearly[2]	% GI Spending Improves Food Insecurity (Expected Yearly Amount of GI Payments Spent on Food) [3]
At or below poverty line (family of 4 = $32,150)	$15,000 or less	16.7	$48	$209	$2,505	40% ($1,002)
	$15,001-$35,000					
	$16,000 (lowest)	14.1	$43	$188	$2,256	38% ($846)
	$25,000 (middle)	14.1	$68	$294	$3,525	24% ($846)
	$35,000 (highest)	13.8	$95	$411	$4,935	17% ($828)
Near Poverty (200% of the poverty line = $64,300)	$35,001-$55,000					
	$36,000	13.8	$87	$375	$4,500	17% (828)
	$45,000	12.5	$108	$469	$5,625	13% ($750)
	$55,000	13.3	$132	$573	$6,875	11% ($798)
	$55,001-$75,000					
	$56,000	13.3	$143	$621	$7,448	11% ($798)
	$65,000	13.3	$166	$720	$8,645	9% ($798)
	$75,000	12.4	$192	$831	$9,975	8% ($744)
Lower- Middle Class (300% of the poverty line = $96,450)	$75,001-$95,000					
	$76,000	12.4	$181	$785	$9,424	8% ($744)
	$85,000	12.4	$203	$878	$10,540	7% ($744)
	$95,000	12.4	$227	$982	$11,780	6% ($744)
	$95,001-$115,000					
	$96,000	12.4	$231	$1,000	$12,000	6% ($744)
	$105,000	12.5	$252	$1,094	$13,125	6% ($750)
	$115,000	12.5	$276	$1,198	$14,375	5% ($750)

[1] Data for **Expected % of Income Spent on Food** can be found at USA Facts (Data Source: Bureau of Labor Statistics): https://usafacts.org/articles/what-does-living-at-the-poverty-line-look-like/.

[2] **Expected Income Spent on Food Yearly** is calculated by finding the **Expected % of Income Spent on Housing** (e.g., 16.7) at the specified income level (e.g., $15,000).

[3] How **% GI Spending Improves Food Insecurity** is calculated: Step 1: Find what the **Expected % of Income Spent on Food** (e.g., 16.7%) is of the **Amount of Total GI Payments** in a year (e.g., $6,000). This is the **Yearly Amount of GI Payments Spent on Food** (e.g., $1,002). Step 2: Find the **% GI Spending Improves Food Security** (40%). This is done by finding what percent **Yearly Amount of GI Payments Spent on Food** (e.g., $1,002) is of what **Expected Income Spent on Food Yearly** (e.g., $2,505) is for a family of four at the specified income level.

The fact that low-income families in Boost spend more on food is not surprising given the shortfall they experience compared to the cost of buying food that would meet the USDA's Thrifty Food Plan. The Thrifty Food Plan is the most cost-effective of four food plans that the USDA has developed, and it estimates the cost of a healthy diet. Calculations captured in Table 5 indicate that the guaranteed income payments increase the purchasing power of the lowest income families to buy food in accordance with USDA's Thrifty Food Plan by 9%. It also appears from Tables 4 and 5 that for those families who fall into the lowest income group, guaranteed income payments make up the largest portion of their food budget; however, it still does not provide them with enough money to eat at a level consistent with USDA's Thrifty Food Plan standards. So, how guaranteed income payments indirectly impact individuals' perceptions of their families' food security may depend on other benefits they receive, such as SNAP benefits, local support, or extended family.

Table 5. *Percent of USDA Thrifty Food Plan1 CollegeBound Boost Guaranteed Income (GI) Intervention Covers by Poverty Status*

Poverty Status	Income Level	Expected % of Income Spent on Food[2]	Expected Income Spent on Food Monthly	% GI Spending Improves Food Insecurity[3]	% of Thrifty Food Plan (Family of 4)[4]
At or below poverty line (family of 4 = $32,150)	$15,000 or less	16.7%	$209	40%	21%
	GI Boost		$84		9%
	Total with Boost		$293		30%
	$35,000	13.8%	$411		42%
	GI Boost		$71		7%
	Total with Boost		$482		49%
Near Poverty (200% of the poverty line = $64,300)	$36,000	13.8%	$375	17%	38%
	GI Boost		$63		6%
	Total with Boost		$438		45%
	$56,000	13.3%	$573	11%	59%
	GI Boost		$67		7%
	Total with Boost		$640		66%
	$65,000	13.3%	$720		74%
	GI Boost		$67		7%
	Total with Boost		$787		81%
Lower- Middle Class (300% of the poverty line = $96,450)	$76,000	12.4%	$785	8%	81%
	GI Boost		$62		7%
	Total with Boost		$847		87%
	$96,000	12.4%	$1,000	6%	103%
	GI Boost		$63		6%
	Total with Boost		$1,063		109%

[1] The USDA Thrifty Food Plan is the most cost effective of four food plans USDA developed that estimates the cost of a healthy diet. For details, go to https://www.fns.usda.gov/research/cnpp/usda-food-plans. For a family of four at the end of Sept. 2024, the USDA estimates the cost of feeding a family foods contained in the Thrifty Food Plan would cost about $985. To find the data, go to https://fns-prod.azureedge.us/sites/default/files/resource- files/Cost_Of_Food_Thrifty_Food_Plan_September_2024.pdf.

[2] Data for percent of income spent on food is from USA Facts https://usafacts.org/articles/what-does-living-at-the-poverty- line-look-like/.

[3] How **% GI Spending Improves Food Insecurity** is calculated: Step 1: Find what the **Expected % of Income Spent on Food** (e.g., 16.7%) is of the **Amount of Total GI Payments** in a year (e.g., $6,000). This is the **Yearly Amount of GI Payments Spent on Food** (e.g., $1,002). Step 2: Find the **% GI Spending Improves Food Security** (40%). This is done by calculating what percent **Yearly Amount of GI Payments Spent on Food** (e.g., $1,002) is of what **Expected Income Spent on Food Yearly** (e.g., $2,505) is for a family of four at the specified income level.

Similarly, Table 6 looks at housing insecurity as an institutional outcome. The institutional food insecurity and housing insecurity measures suggest that CollegeBound Boost's guaranteed income program is improving the financial independence of families participating in the program. In the case of the lowest income group, it improves food insecurity by an expected 40% annually (additional $1,002) and housing insecurity by 39% annually (additional $2,427). In addition to providing the City with a way to understand objectively if financial independence is improving, it also provides a way for the City to assess if $500 a month gets them close enough to their goal. Clearly while the program is having a positive impact, it does not appear to completely fill the gap, for example in regard to food or housing insecurity. However, a full accounting would have to be able to look at the other food and housing programs families had available to them. Further, Tables 4 & 6 seem to suggest that guaranteed income payment amounts might be more effective if they differed by income level even among lower income families (i.e., if they were progressive). Lastly, the food and housing insecurity measures, or a version of them, might be used to help design guaranteed income programs from the outset. For example, they may help programs determine how much money per month guaranteed income payments need to be to create the level of financial independence the city has set as a goal. But again, these are only examples. What I am really trying to convey in this perspective piece is that there are alternative ways to assess if an intervention is working using institutional outcomes. This is in contrast to solely relying on behavior outcomes which are more susceptible to changes in the economic environment (actual or perceived).

Table 6. *Percent CollegeBound Boost Guaranteed Income (GI) Intervention Improves Housing Security by Income*

Poverty Status	Income Level	Expected % of Income Spent on Housing	Expected Income Spent on Housing Weekly	Expected Income Spent on Housing Monthly	Expected Income Spent on Housing Yearly[2]	% GI Spending Improves Housing Insecurity (Expected Yearly Amount of GI Payments Spent on Housing) [3]
At or below poverty line (family of 4 = $32,150)	$15,000 or less	41.2%	$119	$515	$6,180	39% ($2,427)
	$15,001-$35,000					
	$16,000 (lowest)	41.2%	$137	$549	$6,592	37% ($2,427)
	$25,000 (middle)	41.2%	$215	$858	$10,300	24% ($2,427)
	$35,000 (highest)	37.8%	$276	$1,103	$13,230	17% ($2,268)
Near Poverty (200% of the poverty line = $64,300)	$35,001-$55,000					
	$36,000	37.8%	$284	$1,134	$13,608	17% ($2,268)
	$45,000	36.6%	$343	$1,373	$16,470	13% ($2,196)
	$55,000	36.1%	$414	$1,655	$19,855	11% ($2,166)
	$55,001-$75,000					
	$56,000	36.1%	$421	$1,685	$20,216	11% ($2,166)
	$65,000	36.1%	$489	$1,955	$23,465	9% ($2,166)
	$75,000	34.6%	$541	$2,163	$25,950	8% ($2,076)
Lower- Middle Class (300% of the poverty line = $96,450)	$75,001-$95,000					
	$76,000	34.6%	$548	$2,191	$26,296	8% ($2,076)
	$85,000	34.6%	$613	$2,451	$29,410	7% ($2,076)
	$95,000	34.6%	$685	$2,739	$32,870	6% ($2,076)
	$95,001-$115,000					
	$96,000	34.6%	$692	$2,768	$33,216	6% ($2,076)
	$105,000	31.5%	$689	$2,756	$33,075	6% ($1,890)
	$115,000	31.5%	$755	$3,019	$36,225	5% ($1,890)

[1] Data for **Expected % of Income Spent on Housing** can be found at USA Facts (Data Source: Bureau of Labor Statistics) https://usafacts.org/articles/what-does-living-at-the-poverty-line-look-like/.

[2] **Expected Income Spent on Housing Yearly** is calculated by finding what is **Expected % of Income Spent on Housing** (see USA Facts table) of income level (e.g., $15,000; 41.2%).

[3] How **% GI Spending Improves Housing Insecurity** is calculated: Step 1: Find what the E**xpected % of Income Spent on Housing** (e.g., 41.2%) is of the **Amount of Total GI Payments** in a year (e.g., $6,000). This is the **Yearly Amount of GI Payments Spent on Housing** (e.g., $2,427). Step 2: Find the **% GI Spending Improves Household Security**. This is done by finding what percent **Yearly Amount of GI Payments Spent on Housing** (e.g., $2,427) is of what **Expected Income Spent on Housing Yearly** is for a family of four (e.g., $6,180) at the specified income level.

In Conclusion

This perspective suggests that poverty is not only about improving conditions today for low-income families, but also about improving conditions for them in the future. Poverty strategies have largely been unsuccessful because they treat poverty solely as a problem income can solve, a today problem. Income is uniquely designed to improve families' current living conditions because it is consumable, here today gone tomorrow. Poverty strategies that only focus on income, however, help to create the conditions for low-income families to return to poverty sometime in the future. Whereas wealth is uniquely designed to solve tomorrow's problems. When combined with income strategies, wealth strategies are used to address a family's future economic conditions. With their futures secure, families are protected against returning to poverty, and a real war on poverty can be waged.

I also lay out the bare bones for a financial capability theory for ending poverty. Unlike traditional conceptualizations of poverty as a financial need problem, from a financial capability perspective, ending poverty from a government perspective is about providing individuals with the conditions they need to become financially independent. Financial capability consists of both an individual and institutional component. Government is largely responsible for the institutional components which is captured by the concept, financial independence. I list four criteria that must be met to create the conditions necessary for people to become financially independent: inclusion in a wealth producing financial institution, a spark to ignite the process of wealth production from income, fuel from wealth, and knowledge and skill from financial literacy training. One way to think about the different components and how they complement each other is to think about how your car engine works. Institutions are the fuel system that carries fuel (i.e., wealth) at the right amount to all parts of the engine so the car can be powered. Income is the spark plug that ignites the fuel. Sparks play a pivotal role in getting the

engine started but each spark lasts only one to two milliseconds. They have to keep firing over and over again. Wealth is fuel. It lasts for an extended period of time. The fuel system requires fuel to run. Financial literacy is the training people receive to drive and maintain their cars. Like a car engine, the criteria for creating financial independence cannot be thought about in isolation, each principle affects and is affected by the other. If one is not performing at peak levels, others have to compensate. And so, developing a strategy for providing the conditions for financial independence requires assessing each of the four principles simultaneously.

The last major topic covered in this perspective is distinguishing between individual or behavioral metrics for measuring the effectiveness of an intervention and institutional metrics. Previously institutional metrics have largely been ignored. However, institutional metrics seem important for assessing an intervention's or a policy's effectiveness once it is acknowledged that the role of government is to provide individuals with the conditions for them to become financially independent. From this perspective, the focus for the government shifts to whether they have provided these conditions, and if not, what do they need to do to provide them. They do not focus on if the individual is or will take advantage of the conditions it is providing. I also offer several ways to measure institutional impacts. However, these are mostly meant to introduce the idea, more work will be needed to develop effective measures moving forward.

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