

THE BASIC ECONOMIC SECURITY TABLES™

UNITED STATES METHODOLOGY AND SUPPLEMENTAL DATA

RENT AND UTILITIES

Table 1: United States Rent and Utilities Expenses for Selected BEST Families, 2010

	1 Worker	1 Worker, 1 Preschooler, 1 Schoolchild	2 Workers, 1 Preschooler, 1 Schoolchild
Rent	\$688	\$821	\$821
Utilities	\$149	\$178	\$178
Total	\$837	\$999	\$999

BEST rent expenses are adjusted US Department of Housing and Urban Development (HUD) Fair Market Rents. Fair Market Rents (FMRs), which are calculated annually by HUD, are comprised of rent and utilities. Rent and utilities are displayed separately within the BEST for homes with 1-4 bedrooms; home size is based on family size. The BEST assumes that an adult has his/her own bedroom, two adults share a bedroom, and no more than two children share a bedroom. FMRs are rents at the 40th or 50th percentiles of each US County's rents distribution. According to HUD, the 40th percentile of rents allows a decent standard of shelter which is accessible to those with limited income, including participants in federal rental subsidy programs. The

national value presented in the tables is an average of all county FMRs for which utilities data is available, weighted by population.

FMRs are separated into rent and utilities values using expense ratios created by HUD during the annual FMR update process.

Since 2007, FMRs across the country have increased 8.2%. FMRs increased by over 3% a year between FY08 and FY10, but the percent increase was cut in half to 1.5% between FY10 and FY11. The overall increases in rents stand in stark contrast to declines in home values over the period.

Figure 1: Selected National Rents and Utilities for 2-Bedroom Homes, 2010



Efficiency 1-Bedroom 2-Bedroom 3-Bedroom 4-Bedroom

Source: US Department of Housing and Urban Development. FY 2011 Fair Market Rents.

Figure 2: US Average Fair Market Rents for 2-Bedroom Homes, FY 2008-FY 2011



FY 2008 FY 2009 FY 2010 FY 2011

Source: US Department of Housing and Urban Development. Final FMR Calculation. FY 2008-2011.

A PROJECT OF WIDER OPPORTUNITIES FOR WOMEN'S FAMILY ECONOMIC SECURITY PROGRAM

2010



Wider Opportunities for Women (WOW)

Wider Opportunities for Women (WOW) works nationally and in its home community of Washington, DC to achieve economic independence and equality of opportunity for women and their families at all stages of life. For over 45 years, WOW has been a leader in the areas of nontraditional employment, job training and education, welfare-to-work and workforce development policy. Since 1995, WOW has been devoted to the self-sufficiency of women and their families through the national Family Economic Security (FES) Project. Through FES, WOW has reframed the national debate on social policies and programs from one that focuses on poverty to one that focuses on what it takes families to make ends meet. Building on FES, WOW has expanded to meet its intergenerational mission of economic independence for women at all stages of life with the Elder Economic Security Initiative. For more information about WOW's programs, please visit www.wowonline.org or call WOW at 202-464-1596.



Center for Social Development, Washington University-St. Louis

The Center for Social Development (CSD) creates and studies innovations in public policy that enable individuals, families, and communities to formulate and achieve life goals, and contribute to the economy and society. Through innovation, research, and policy development, CSD makes intellectual and applied contributions in social development theory, evidence, community projects, and public policy.

School of Social Work—University at Buffalo, the State University of New York

The University at Buffalo School of Social Work is a highly ranked, CSWE-accredited graduate school offering MSW and PhD degrees, as well as continuing professional education. The diverse community of scholars, educators, practitioners, and lifelong learners who make up UB's School of Social Work is unified by a vision of a better society achieved through the generation and transmission of knowledge, promotion of social justice, and service to humanity.



INTRODUCTION

The Basic Economic Security Tables: United States Methodology and Supplemental Data is a companion report of *The Basic Economic Security Tables™ for the United States*. This report contains:

1. BEST methodology details
2. Supplementary data and figures for BEST expense and savings components, including cost time series data
3. Supplementary BEST values calculated under alternative assumptions
4. A BEST data sources table

The Basic Economic Security Tables™ Index (BEST) is a measure of the basic needs and assets workers require for economic security throughout a lifetime and across generations.

The BEST follows on a long history of research defining families' spending and income needs, but reflects a modern economy and contemporary understanding of how families achieve financial stability. *The Basic Economic Security Tables™ for the United States* has been prepared for policy makers, researchers and policy advocates concerned with today's national policy needs and with changes in workers' and families' needs over

time. The national BEST Index provides a broad view of the state of the nation's workers—the expenses they face, their resources and their prospects for achieving the financial stability so critical to the nation's future. BEST data increases awareness of the challenges faced by the typical American worker, and suggests leverage points and policy that can help them overcome the obstacles to economic security.

The BEST improves on the descriptive power of earlier budget standards by presenting the specific needs of more than 400 family types—all possible one- or two-adult families with up to six children.¹ BEST values for adults are not age-specific, and are applicable to any independent working adult.² To further improve understanding of worker expenses and income needs, the BEST calculates separate income requirements for workers with and without access to employment-based benefits. Receipt or non-receipt of benefits—namely employer-sponsored health insurance and employment-based retirement plans—can be critical to short- and long-term economic security, and can prevent workers from suffering marked declines in stability, or even impoverishment. The Index also distinguishes between workers who are and are not covered by unemployment insurance.

The BEST Index is a starting point for workers who want to achieve financial stability, and for the policymakers, advocates, researchers and service providers who help workers build security. BEST users improve lives by:

- Benchmarking wages, worker welfare and economic stability
- Evaluating economic development and economic development opportunities
- Identifying jobs and careers that provide the economic security wages that support stable communities
- Evaluating education and training needs
- Improving workers' and students' financial planning
- Evaluating and improving the efficacy of publicly funded programs
- Helping those working on policy issues across the life course, from early childhood to aging, find common ground and a common language
- Promoting the savings that creates essential short- and long-term asset building and economic stability
- Identifying who is and is not participating fully in the economy
- Changing the public's understanding of economic security
- Creating far-sighted public policy

RENT AND UTILITIES

Table 1: US Monthly Rent and Utilities Expenses for Selected BEST Families, 2010

	1 Worker	1 Worker, 1 Preschooler, 1 Schoolchild	2 Workers, 1 Preschooler, 1 Schoolchild
Rent	\$688	\$821	\$821
Utilities	\$149	\$178	\$178
Total	\$837	\$999	\$999

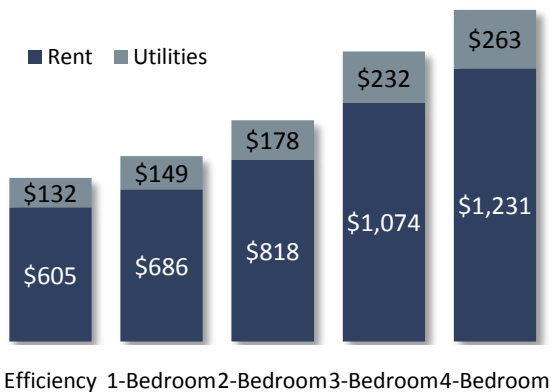
BEST rent expenses are adjusted US Department of Housing and Urban Development (HUD) Fair Market Rents. Fair Market Rents (FMRs), which are calculated annually by HUD, are comprised of rent and utilities. Rent and utilities are displayed separately within the BEST for homes with 1-4 bedrooms; home size is based on family size. The BEST assumes that an adult has his/her own bedroom, two adults share a bedroom, and no more than two children share a bedroom. FMRs are rents at the 40th or 50th percentiles of each US county's rents distribution. According to HUD, the 40th percentile of rents allows a decent standard of shelter which is accessible to those with limited income, including participants in federal rental subsidy programs. The

national value presented in the tables is an average of all county FMRs for which utilities data is available, weighted by population.

FMRs are separated into rent and utilities values using expense ratios created by HUD during the annual FMR update process.

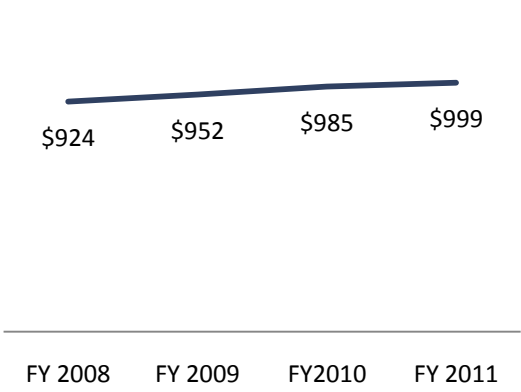
Since 2007, FMRs across the country have increased 8.2%. FMRs increased by over 3% a year between FY08 and FY10, but the percent increase was cut in half to 1.5% between FY10 and FY11. Increases in rents stand in stark contrast to declines in home values over the period.

Figure 1: Selected US Rents and Utilities for 2-Bedroom Homes, 2010



Source: US Department of Housing and Urban Development. FY 2011 Fair Market Rents.

Figure 2: US Average Fair Market Rents for 2-Bedroom Homes, FY 2008-FY 2011



Source: US Department of Housing and Urban Development. Final FMR Calculation, FY 2008-2011.

FOOD

Table 2: US Monthly Food Expenses for Selected BEST Families, 2010

	1 Worker	1 Worker, 1 Preschooler, 1 Schoolchild	2 Workers, 1 Preschooler, 1 Schoolchild
Food	\$244	\$529	\$707

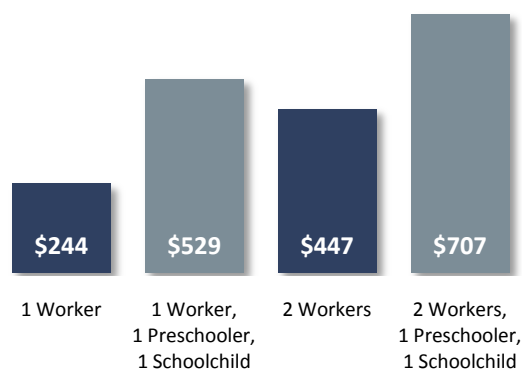
BEST food expenses are US Department of Agriculture Low-Cost Food Plan expenses by family type. The USDA presents expenses by age category and gender; the BEST combines these expenses to create total food cost by family type. The USDA presents expenses by age category and gender; the BEST combines these expenses to create total food cost by family type.

The US Department of Agriculture (USDA) Center for Nutrition Policy and Promotion (CNPP) produces four official Food Plans—Thrifty, Low-Cost, Moderate-Cost, and Liberal—which reflect current dietary recommendations, food consumption patterns and food prices. Costs included in the Thrifty Food Plan reflect a short-term minimal standard of nutrition

and are used by the Supplemental Nutrition Assistance Program (formerly Food Stamps) to calculate assistance levels. The Low-Cost Food Plan is slightly less austere than the Thrifty Food Plan, but still presents a no-frills diet consisting entirely of food prepared and eaten at home.

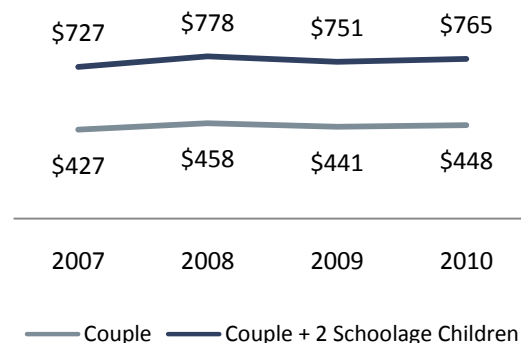
Since 2007, Low-Cost Food Plan expenses for an American family of four (2 workers with 2 schoolchildren) have increased 5.3%, an average of approximately 1.8% per year. Food prices increased between 7.1% between 2007 and 2008, an average of 5.3% a year, fell 3.5% in 2009 as global recession affected food prices, and rose 1.8% in 2010.

Figure 3: Monthly Food Costs by Family Size, 2010



Source: US Department of Agriculture. Official USDA Food Plans: Cost of Food at Home at Four Levels, US Average, December 2010.

Figure 4: Monthly USDA Low-Cost Food Plan Expenses, by Family Type, 2007-2010



Source: US Department of Agriculture. Official USDA Food Plans: Cost of Food at Home at Four Levels, US Average, December 2007-2010.

TRANSPORTATION

Table 3: US Monthly Private Transportation Expense for Selected BEST Families, 2010

	1 Worker	1 Worker, 1 Preschooler, 1 School child	2 Workers, 1 Preschooler, 1 Schoolchild
Transportation	\$495	\$536	\$1,019

BEST monthly private transportation expense includes the fuel, maintenance, license and registration, depreciation, finance charges and vehicle taxes associated with ownership and operation of a small sedan. Costs do not include a down payment. Costs are average expenses over the first five years of the car's life.

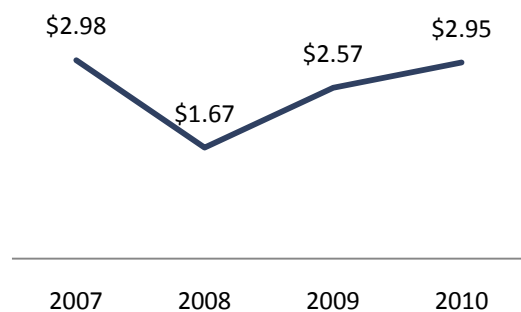
Public transportation systems in the nation's largest cities provide adequate transportation for millions of workers' commutes. Outside major cities' limits, however, public transportation systems that allow working families to forgo car ownership are very rare. Fewer than 5% of the nation's commuters use public transportation to commute to work. Between 2000 and 2007, the number of households with 0, 1 or 2 cars has decreased, while the number of households with 3 or more cars has increased.³

The public transportation systems of many large and mid-size cities, such as Boston, Chicago and

Washington, DC, see more than 25% of their populations using public transportation. Other large and mid-size cities, particularly those who have not invested as much in public transportation, such as rail systems, see between 5% and 10% of their populations utilizing public transit. Boulder, Detroit, Houston, Miami and San Diego are examples of such cities.⁴ Such systems are even less well suited for shopping or other trips, and do not relieve the need to own a car.

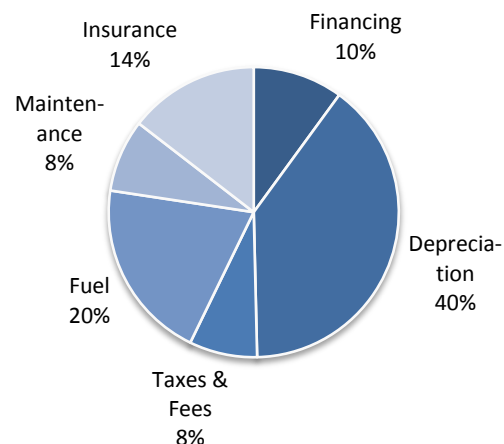
As a result, BEST transportation expenses are calculated assuming ownership of a small sedan. The BEST further assumes that the majority of couples who are unable to rely completely on mass transit for commuting, shopping, etc. will be unable to share a car to get to work. BEST families with two working adults therefore bear the cost of owning two cars. Fuel, maintenance and depreciation expenses are based on the average number of miles driven by US residents. Miles driven by one- and two-parent

Figure 5: Gasoline Costs, Regular, Per Gallon, December 2007-December 2010



Source: US Department of Energy, Historical Gasoline Prices, December 2007-December 2010

Figure 6: BEST Private Transportation Expense for 1 Worker, 2010



families include trips to and from work, transporting children to child care, trips to purchase gasoline, one shopping trip per week and one medical-related trip per month. Trips to and from school for adult students are included only in calculations of education and training savings requirements found in the BEST.

Automobile insurance costs are the National Association of Insurance Commissioners' national average automobile insurance expenditures per car. NAIC assumes that automobiles carry liability insurance, but not necessarily collision and comprehensive insurance. Per-gallon fuel cost is the national average of regular gasoline in December 2010.

The Impact of a Fully Depreciated Vehicle on Transportation Costs

Most of the BEST transportation cost for owners of private vehicles comes from vehicle depreciation and financing costs over the first five year of a vehicle's life. A fully depreciated and paid-for vehicle is less expensive. Table 4 demonstrates transportation costs when driving a "fully depreciated" vehicle.

Depreciation is measured using online Kelly Blue Book and Edmunds.com vehicle pricing tools. It should be kept in mind, however, that a potentially unreliable vehicle may not allow genuine security. A vehicle is usually not fully depreciated until 10 or more years after manufacture, and older vehicles often require larger maintenance and repair costs that are difficult to quantify and not included in Table 4.

Table 4: US Monthly Private Transportation Expense for a Fully Depreciated Auto for Selected BEST Families, 2010			
	1 Worker	1 Worker, 1 Preschooler, 1 School child	2 Workers, 1 Preschooler, 1 Schoolchild
Transportation	\$249	\$291	\$528

CHILD CARE

Table 5: US Monthly Childcare Expense for Selected BEST Families, 2010

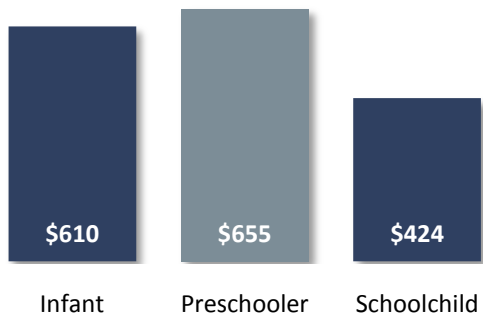
	1 Worker	1 Worker, 1 Preschooler, 1 Schoolchild	2 Workers, 1 Infant, 1 Preschooler, 1 Schoolchild
Child Care	\$0	\$1,080	\$1,690

BEST child care expenses are age-specific national weighted average care costs found in the National Association of Child Care Resource and Referral Agencies (NACCRRA) report on their annual survey of state partner market rates, *Parents and the High Price of Child Care: 2010 Update*. The report presents separate daily child care center and family child care (care provided in a private home) costs for infants (6 weeks to 18 months), preschoolers (4 years old) and

school-aged children (five years old and older). Because the majority of infants in regular full-time care settings are found in family child care settings, the BEST uses a family child care rate for infants. Child care center rates are used for all other age categories.

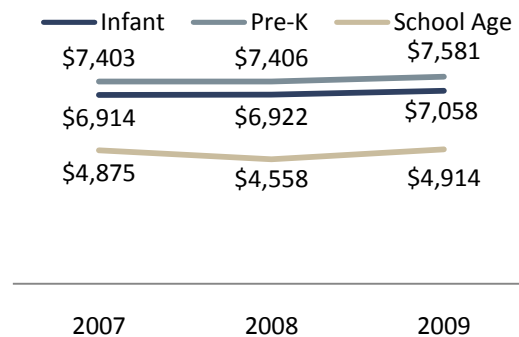
Parents and the High Price of Child Care: 2010 presents annual care costs for each of the fifty states.

Figure 7: Weighted Average Monthly Care Costs, by Child Age Category, 2010



Source: Adapted from National Association of Child Care Resource and Referral Agencies, *Parents and the High Price of Child Care: 2010 Update*

Figure 8: Weighted Average Monthly Care Costs, by Child Age Category, 2007-2009



Source: Adapted from National Association of Child Care Resource and Referral Agencies, *Parents and the High Price of Child Care: 2008-2010 Updates*

PERSONAL AND HOUSEHOLD ITEMS

Table 6: US Monthly Personal and Household Expenses for Selected BEST Families, 2010

	1 Worker	1 Worker, 1 Preschooler, 1 Schoolchild	2 Workers, 1 Preschooler, 1 Schoolchild
Personal and Household Items	\$291	\$412	\$460

BEST personal and household expenses are equal to 27% of a family’s housing, utilities and food expenses. The calculation of personal and household items expenses is based on the US Bureau of Labor Statistics’ Consumer Expenditure Survey, which records American consumers’ annual spending. The BEST use average expenditures specific to renters, as the BEST assumes all working families rent.

BEST personal and household items expenses are a conservative measure of necessary spending on personal care and maintaining a household. The personal and household items category includes only necessities which contribute to basic economic security—*health, safety, employment, or basic economic participation*. Personal and household items include clothing, housekeeping supplies, life

insurance, miscellaneous fees and expenses (e.g., work expenses, bank fees), personal care products and landline telephone charges.

The category does not include items such as furniture, appliances, cable television or computers. Cell phones are not included, as: (1) the cost of land-line phones is sufficiently representative of cell phone costs; (2) cell phone cost data is not reliable; (3) cell phones are often households’ second or third phones, and the BEST assumes more than one phone per household is not necessary for *basic* security. The BEST can therefore be used for future analyses defining and quantifying the technology needs of specific populations, such as students, job-seeking unemployed and others.

HEALTH CARE

Table 7: US Monthly Health Care Expenses for Selected BEST Families, by Insurance Type, 2010

	1 Worker	1 Worker, 1 Preschooler, 1 Schoolchild	2 Workers, 1 Preschooler, 1 Schoolchild
ESI	\$138	\$394	\$461
NESI	\$311	\$643	\$710

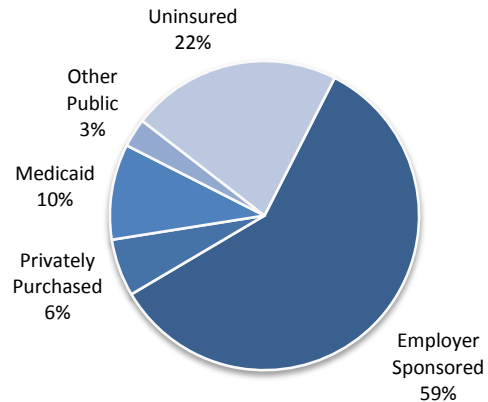
* ESI = Employer-sponsored health insurance
NESI = Non-employer-sponsored health insurance

BEST health care expenses consist of insurance premium and out-of-pocket costs for US residents with either employer-sponsored insurance (ESI) or non-employer-sponsored insurance (NESI) purchased on the individual market. National premium data are adjusted by BEST age category and family size. BEST NESI premium costs are mean private insurance premiums reported by the US Department of Health and Human Services 2006 Medical Expenditure Panel Survey (MEPS). Out-of-pocket expenses are average expenses by age group. Health care costs therefore reflect age and are the average for the United States.

Employer-Sponsored Health Insurance (ESI)

According to the Kaiser Family Foundation, approximately 78% of US adults were covered by health insurance in 2009.⁵ Among non-elderly adults, 59% were covered by employer-sponsored health insurance, 13% were covered by Medicaid or another public insurance program, 6% were covered by non-employer-sponsored health insurance purchased independently on the individual market, and 22% were uninsured.⁶

Figure 9: Type of Insurance Among Non-Elderly Adults in the US, 2009



Source: Kaiser Family Foundation. "Health insurance Coverage of Adults 19-64, states (2008-2009), US, 2009."

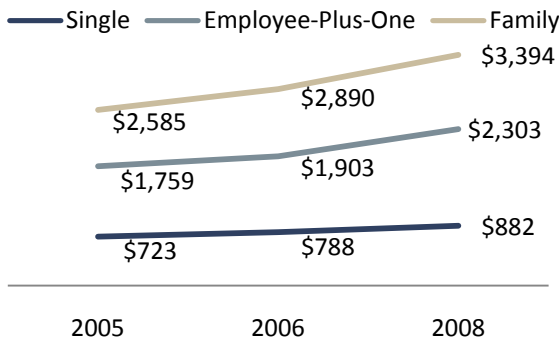
Nationwide, employers paid on average 78% of total insurance premiums for single employees and 73% of total insurance premiums for families.⁷

Table 8: Average Annual Out-of-Pocket Health Care Costs for US Workers Participating in Private Health Insurance Plans, by Adult Health Status, 2010

	1 Worker	1 Worker, 1 Preschooler, 1 Schoolchild	2 Workers, 1 Preschooler, 1 Schoolchild
Excellent	\$506	\$1,129	\$1,634
Good	\$786	\$1,409	\$2,195
Poor	\$2,330	\$2,953	\$5,284

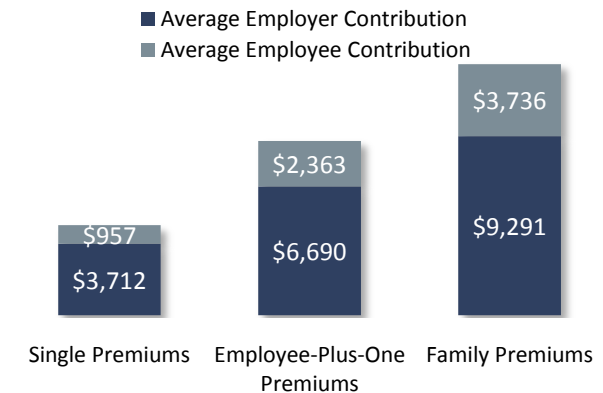
Source: US Department of Health and Human Services. Medical Expenditure Panel Survey (MEPS). Values inflated to 2009 using the Consumer Price Index.

Figure 10: Average Annual Employer-Sponsored Health Insurance Premiums Paid by US Workers, by Insurance Type, 2005-2008



Source: US Department of Health and Human Services, Medical Expenditure Survey, 2009.

Figure 11: Average Health Insurance Premium Costs Per Employee With Benefits, Employer and Employee Contributions, By Plan Type, 2009



Source: US Department of Health and Human Services, Medical Expenditure Survey, 2009.

Non-Employer-Sponsored Health Insurance (NESI)

Because 46% of US private-sector workers (including part-time employees) lack access to or do not participate in employer-sponsored insurance, the BEST presents health care expenses faced by workers and families who lack employer-sponsored health insurance.

Underinsurance can be as great a threat to economic security as a lack of insurance. Research suggests that “catastrophic” health insurance—less expensive plans defined by high deductibles, higher out-of-pocket expenses (OOP) and, often, accompanying Health Savings Accounts (HSA)—can shift costs from premiums to out-of-pocket expenses, contribute to medical debt, reduce access to care and prevent some from seeking care.

As a result, BEST NESI premiums are those for the least expensive plans which approximate ESI plans. United States BEST NESI premiums are BEST NESI premium costs are national mean private insurance premiums reported by the 2006 MEPS.

No BEST calculation includes the direct effects of public subsidies. As a result, BEST calculations do not include the expenses of Medicare participants or the 13% of non-elderly US adults enrolled in Medicaid or other public health insurance.

The BEST includes insurance premiums and OOP costs for all US residents with private health insurance. As demonstrated by Table 8, OOP costs are dependent on health status. A single worker in excellent health incurs approximately 36% less than the annual OOP costs of a worker in good health. A worker in poor health incurs nearly three times the average annual OOP costs of those in good health.

TAXES AND TAX CREDITS

Table 9: US Monthly Tax Expense and Tax Credits for Selected BEST Families, 2010

	1 Worker	1 Worker, 1 Preschooler, 1 Schoolchild	2 Workers, 1 Preschooler, 1 Schoolchild
Taxes	\$384	\$948	\$1,060
EITC	\$0	\$0	\$0
CTC	\$0	-\$167	-\$167
CDCC	\$0	-\$100	-\$100
MWP	-\$33	-\$33	-\$67
Net Tax	\$351	\$648	\$726

All BEST families earn income and pay taxes. BEST families pay federal payroll and income taxes, state income taxes and state sales tax. Tax filers do not itemize deductions and all family income is assumed to be earned income.

Federal payroll taxes and federal income taxes are calculated using federal personal income tax forms for each BEST family type. State and local income taxes are calculated using nationwide average personal income taxes as a percentage of family income of non-elderly taxpayers.⁸ State and local income taxes are net of tax credits. State sales tax is calculated on goods purchased by BEST families, based on nationwide average state sales tax rates weighted by state tax revenues.⁹ BEST taxes are gross, pre-credit taxes.

While many BEST families earn incomes subject to the 25% federal tax bracket, deductions and credits greatly reduce effective tax rates. Tax credits, refundable and non-refundable, are presented separately, and include the federal earned income tax credit (EITC), federal child tax credit (CTC) and additional child tax credit (ACTC), federal child and dependent care credit, and the federal Making Work Pay credit. While refundable credits—those such as the EITC which are paid to filers whose credits exceed their owed taxes—are normally received as lump sums in the spring, the BEST expresses credits as monthly amounts.

Families who cannot participate in employment-based retirement plans (e.g., pensions or 401(k) plans) save through traditional Individual Retirement Accounts (IRAs), and contributions are tax-deductible.¹⁰

BEST Tax Credits

- The **Earned Income Tax Credit (EITC)** is a refundable federal income tax credit for low- and moderate-income working individuals and families. Because the tax is refundable, tax filers needn't owe taxes to receive the EITC. Due to a temporary change in the American Recovery and Reinvestment Act, which was extended in December 2010, for the 2010 tax year, the maximum credit is \$5,666. The amount of the EITC refund is based on family size, filing status and household income. To receive the EITC, taxpayers must have earned income and must file a federal tax return.
- The **child and dependent care expenses credit** is a non-refundable federal income tax credit which allows families to deduct a percentage of child or dependent care costs from the federal income taxes they would otherwise have to pay. The credit can equal as much as 35% of care expenses, depending on household

income. For the 2010 tax year, the maximum claimable expenses are \$3,000 for one child and \$6,000 for two children.

- The **Child Tax Credit** (CTC) is a non-refundable federal tax reduction for those with dependent children. The credit is equal to \$1,000 per child. If the amount of the Child Tax Credit is greater than the amount of income tax owed, families may be able to claim the refundable Additional Child Tax Credit.

The American Reinvestment and Recovery Act

The American Reinvestment and Recovery Act created tax credit changes that benefit US families. The changes apply to 2009 and 2010 tax returns, and are included in BEST tax calculations, which are based on the most recent tax rules available, those for the 2010 tax year.

- **Making Work Pay Tax Credit** (MWP) –The Making Work Pay tax credit reduced federal

income tax withheld from workers paychecks. The tax credit was a maximum of \$400 for working individuals and \$800 for working married couples. (It will be replaced for the 2011 tax year with a payroll tax holiday, which will allow slightly larger reductions in federal taxes for families earning BEST incomes.)

- **Earned Income Tax Credit** –The Recovery Act increased the maximum earned income tax credit (EITC) for families with three or more children to \$5,666. The Recovery Act also allows the credit to married couples with higher incomes regardless of the number of children.
- **Additional Child Tax Credit** –The Recovery Act reduced the minimum earned income amount used to calculate the additional child tax credit to \$3,000. The change increases the number of families receiving refundable tax credits and the amounts of credits.

EMERGENCY SAVINGS

Table 10: US Monthly Emergency Savings for Selected BEST Families, 2010

	1 Worker	1 Worker, 1 Preschooler, 1 Schoolchild	2 Workers, 1 Preschooler, 1 Schoolchild
With UI	\$75	\$152	\$170
Without UI	\$132	\$240	\$279

BEST emergency savings is defined as the amount of savings needed for a family to meet basic needs during a typical time of job loss.¹¹ Monthly emergency savings are calculated separately for workers with and without Unemployment Insurance (UI).

Unemployment can be a considerable threat to economic security. This is especially true for low-and moderate-income families, as UI covers only a portion of monthly wages, and a substantial proportion of low-wage and part-time workers are not eligible for UI.¹² Furthermore, low-income workers usually have limited access to the credit market to finance their spending during unemployment.¹³ About 30% of US families did not have enough liquid assets for financial emergencies in 2007, and this rate is even higher for families in the bottom income quintile (68%).¹⁴ Therefore, savings for unemployment is crucial for all workers who would maintain financial stability.

Emergency Saving Goal

The BEST emergency savings goal is the amount sufficient to support a family's basic needs during unemployment. The median unemployment spell has been, on average, 8.9 weeks during the most recent business cycle,¹⁵ while median employee tenure was 4.0 years.¹⁶ Accordingly, the BEST assumes that workers save in interest-earning accounts or short-term investments while employed to prepare for 8.9 weeks of unemployment. Because the unemployment spell is notably longer during the current business cycle, the effect of a longer period of unemployment is explored in Table 11 below.

The amount of monthly consumption/expenses is drawn from the BEST Index. While families often conserve resources during periods of unemployment, because the costs within the BEST are essential to economic security, and because most BEST expenses are not easily changed in response to limited periods of unemployment, the BEST assumes that a family does not significantly reduce spending during the unemployment period. Since the BEST assumes that families save over four years to meet future expenses, the current expenses are inflated into the future using an assumed 3% annual inflation rate.

Emergency savings are assumed to be accumulated in conservative, liquid investments, and the annual rate of return to saving is assumed to be 2.5% based on the return to short-term (4-week) Treasury bills.

Monthly Emergency Savings with and without UI

Unemployment Insurance (UI) benefits play a significant role in supporting basic needs during unemployment. According to the US Department of Labor, 82% of the US workforce was covered by UI during the 12 months between the third quarter of 2009 and the third quarter of 2010. However, during that same period, only 32% of unemployed workers received UI benefits under regular state unemployment programs; 65% received UI benefits under the emergency UI programs created by the Recovery Act.¹⁷

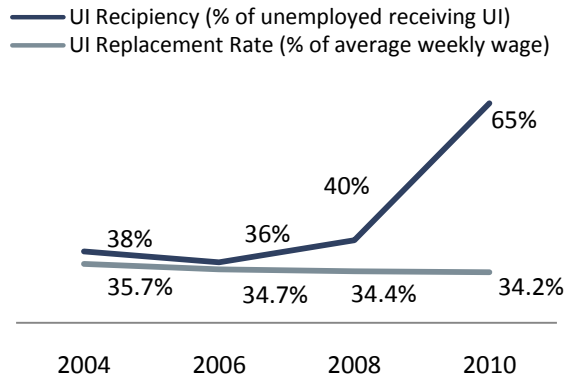
Monthly emergency savings amounts for those with UI are calculated in the same manner as amounts for those without UI, with the additional assumption that 34% of needs during unemployment are financed by

UI benefits (up to the national median maximum benefit of \$1,688 per month), and that a worker saves for the remaining BEST expenses.

The Impact of Recession on Needed Emergency Savings

Table 11 demonstrates what families would need to save every month to maintain economic security through the median unemployment spell in 2010 of 21.4 weeks. The US BEST does not model savings required for this unemployment period because: 1) The period is extreme and anomalous, neither typical of worker experiences over the long term nor an event that most workers might plan for; 2) Even

Figure 12: Coverage and Replacement Rates of Unemployment Insurance Benefits in the US, 2004-2010



Source: US Department of Labor. Unemployment Insurance Data Summary.

Table 11: US Monthly Emergency Savings for Selected BEST Families, Median Unemployment Spell (21.4 Weeks) during 2010			
	1 Worker	1 Worker, 1 Preschooler, 1 Schoolchild	2 Workers, 1 Preschooler, 1 Schoolchild
With UI	\$240	\$518	\$541
Without UI	\$349	\$639	\$739

families with large incomes and slack within their budgets will have a very hard time savings for such a long period of employment; 3) Such a period would

likely force families to make large, highly individualized changes in lifestyle.

RETIREMENT SAVINGS

Table 12: US Monthly Retirement Savings for Selected BEST Families, 2010

	1 Worker	1 Worker, 1 Preschooler, 1 Schoolchild	2 Workers, 1 Preschooler, 1 Schoolchild
With Retirement Benefits	\$73	\$73	\$56
Without Retirement Benefits	\$121	\$121	\$94

BEST retirement savings are the amount of monthly savings sufficient to support retired elders' basic economic security needs, as defined by The WOW-GI Elder Economic Security Standard™ Index (Elder Index).

The BEST retirement savings amount is estimated with three components: (1) income needs of elders based on the Elder Index; (2) available retirement income; and (3) life expectancy. Based on these three components, the BEST estimates the total amount of savings needed at the time of retirement to maintain economically secure lives, and then calculates the monthly savings amount needed to achieve this savings goal.

Retirement Saving Goal

The BEST's retirement savings goal is the amount of savings sufficient to support economic security needs throughout an elder's retirement. The BEST assumes that a worker saves the same amount of money each year for 40 years, which allows the worker to reach the retirement savings goal at the age of retirement (age 65).

In calculating post-retirement income needs, the BEST draws upon the Elder Economic Security Standard Index, a geographically-based measure of the income older retired adults (65 and older) need to make ends meet in their communities. The Elder Index is calculated at the state and county levels, and income needs vary according to housing and health status.

Like the Elder Index, the BEST assumes that elders stay in their communities as renters, and do not receive care in an institutional setting (e.g., nursing

homes or assisted living facilities) throughout their retirement years. The number of years lived after retirement is equivalent to the life expectancy at age 65 as projected by the Social Security Administration.¹⁸

In assessing economic resources among retirees, the BEST assumes that elder households have income from Social Security but not from an additional pension plan. In 2010, only 20% of private industry workers had access to employment-based pension plans¹⁹. In contrast, Social Security income is received by 91% of elders and is a critical income source among elder households.²⁰ The US annual Elder Index for renters is estimated at \$21,337 for a single elder and \$28,467 for elder couples.

Monthly Saving Amount without Employment-based Retirement Benefits

The BEST estimates a monthly savings amount that enables a worker to reach the retirement goal at age 65 using the following assumptions: (1) a worker will save for 40 years (from age 25 to 64); (2) a real interest rate of 3% per year²¹; (3) a worker's family saves into an Individual Retirement Account (IRA) and receives income tax benefits for their retirement savings.

Monthly Savings Amount with Employment-based Retirement Benefits

The BEST assumes that the employment-based retirement benefit is a defined-contribution plan (e.g., 401(k) plan), not a defined-benefit plan (e.g., pension). Defined contribution plan is the dominant

form of retirement benefit for private industry workers, with 59% of private industry workers having access to an employment-based defined contribution plan while only 20% have access to a defined-benefit plan. In addition, the coverage rate for defined contribution plans has increased in the last decade.²²

On average, employers match 66.06 cents to every dollar contributed by an employee into a 401(k) plan.²³ Therefore, as shown in Table 12, a typical worker couple needs to save \$56 a month, and a typical single worker needs to save \$73 to meet the retirement savings goal with matches from employment-based benefits.

The Impact of the Age of the Worker on Retirement Savings

Savers who begin to accumulate retirement savings when older face much larger savings requirements. As Table 13 demonstrates, relaxing the BEST saving period assumption yields widely ranging monthly savings requirements for an elder who wishes to attain economic security in his or her retirement years.

Table 13: US Monthly Retirement Savings Requirements for a Single Adult with Employment-based Benefits, Under Varied Savings Period Assumptions, 2010			
40 Years	30 Years	20 Years	10 Years
\$73	\$116	\$206	\$485

EDUCATION SAVINGS

Table 14: US BEST College Costs 2010

Total Community College Costs (2 Years)	Total Public University Costs (2 Years)	Total 4-Year College Costs less Student Earnings
\$10,084	\$29,121	\$8,807

BEST education savings are the monthly savings amount needed to finance a child’s post-secondary education without incurring debt. The BEST assumes that the child attains his post-secondary education degree in the most economical way: the child lives at home and attends community college for the first two years²⁴, and then transfers to a public (state or state-subsidized) university for a bachelor’s degree. The student attends community college in the city or county of her residence or the nearest county when there is no community college in her county of residence; and the child attends the in-state public university of her choice without geographic restrictions. In addition, the child attends educational institutions as a full-time student and finishes college with a bachelor’s degree in four years. Full-time enrollment is assumed since part-time attendance is a risk factor for dropping out of college.²⁵

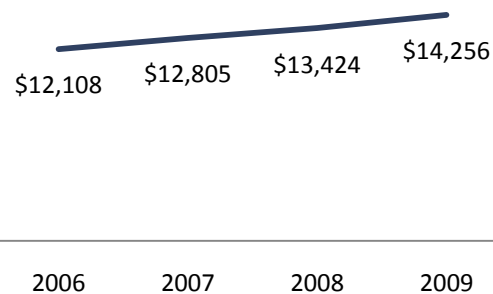
College costs consist of: (1) tuition and required fees; (2) books and supplies; (3) transportation; and (4) room and board while attending a public university. Accordingly, college cost is calculated by summing these four items for four years of education.²⁶ The BEST uses national average college cost for public 4-year universities and 2-year colleges.

In addition to parents’ savings, financial aid and student earnings are important economic resources for financing college education.²⁷ The BEST takes grants into account but does not include educational loans because young college graduates without educational loans would be in a better position to pursue their careers and other long-term goals, including savings essential to economic security.²⁸

While no other BEST expense or savings value includes direct supports or subsidies, an exception has been made due to the extent and effect of grants on the typical student’s education and finance options. About one-quarter of college costs are financed with grants (financial aid). College students’ earnings are also substantial, as many of them work long hours even during the school year: full-time college students work an average of more than 20 hours per week while enrolled and almost 40 hours per week during the summer.²⁹

The savings goal—defined as the amount of savings to finance a child’s college education without incurring debt—is calculated by subtracting total economic resources from total college costs. The BEST assumes that parents save into College Saving Plan (529 Plan) accounts because earnings in these

Figure 13: US Average Annual Costs at Public 4-Year Colleges and Universities 2006-2009



Source: National Center for Education Statistics, *Digest of Education Statistics* 2006-2009.

Note: Annual costs include tuition, fees and room and board.

accounts are tax-free.³⁰

The BEST assumes that parents save for 17 years prior to their children's beginning post-secondary education. Since the BEST assumes that college costs increase at the same rate as return on investment,

the monthly education savings amount is estimated by dividing the savings goal by 204 months (12 months per year for 17 years). The national average monthly savings amount for one child is \$43.

ADULT EDUCATION AND TRAINING EXPENSES

Table 15: Total US BEST Community College Education Expense, Including Transportation and Childcare Costs, 2010

	1 Worker, 1 Infant	1 Worker, 1 Infant, 1 Preschooler
1 Worker	\$3,631	\$6,960
		\$10,535

Note: Assumes national weighted average family child care rates for infants and preschoolers. Number of hours in care per week is equal to the parent student's number of class (credit) hours.

BEST adult education and training expenses are the monthly amount needed by an independent adult to finance post-secondary education without incurring debt or depending on monetary gifts from friends or relatives. The cost of community college attendance consists of four components: (1) tuition and required fees; (2) books and supplies; (3) transportation to and from school; and (4) parent's additional child care costs.

Community college provides adults with opportunities to improve their long-term economic outcomes. Community college degrees and certificates are increasingly necessary credentials for careers that pay economic security wages, and commonly boost earnings by 20% to 30%.³¹ A substantial proportion of community college students are returning students and adult learners, with 44% being older than 24. Many of these adult learners are independent adults with at least one child.³²

Because delaying post-secondary education to save and starting college at an older age are risk factors for dropping out,³³ and because the typical returning student is a working, part-time student, the BEST includes adult education expense figures as an expense rather than a savings requirement.

The BEST assumes that adults attend community college with the goal of attaining an associate's degree. The majority (68%) of delayed enrollees—returning students those who do not start their college education upon high school graduation—attend community colleges with the goal of getting a certificate or associate degree.³⁴

In calculating adult education expenses, the BEST assumes that an adult works full-time while attending school. The majority of adult students 24 years old or older work full-time and identify themselves primarily as workers, not as students.³⁵ Economic resources available for adults' community college education include financial aids (grants) and tax benefits.³⁶

In calculating the first component of community college cost—tuition and required fees—the BEST assumes that an adult attends community college in the county of her residency or in the nearest county if there is none in her own county. An adult would need 60 credits minimum to complete an associate's degree. Since an adult is expected to maintain her full-time job to support her family, the BEST assumes that she attends community college as a part-time student for four years. Accordingly, an adult takes 15 credits a year to finish her community college education, paying \$716 per year to a community college as tuition and fees. The cost for books and supplies is calculated as half the cost of these items for full-time students. As shown in Table 14, adult students who must find child care for two children while they are at school need to pay nearly three times as much for their community college educations as those who do not.

Economic resources available for adults' community college education include financial aid (grants, such as the federal Pell Grant) and tax benefits. Federal tax credits available to adult students who pay school-related expenses include the American Opportunity Credit and the Lifetime Learning Credit. The American Opportunity Credit modified the existing Hope Credit under the Recovery Act for 2009 and 2010, raising income limits and the maximum amount of the credit.

HOMEOWNERSHIP SAVINGS

Table 16: US Monthly Homeownership Savings for Selected BEST Families, with 20% Down Payment, 2010

1 Worker (1 BDR)	1 Worker, 1 Preschooler, 1 Schoolchild (2 BDR)	2 Workers, 1 Preschooler, 1 Schoolchild (2- BDR)
\$111	\$186	\$186

Homeownership savings in the BEST is defined as the amount of savings needed for a family to buy a home. The BEST assumes that a worker saves 20% of the home price for down payment and 1.9% of the home price for closing costs over a 10-year period. The annual rate of return on saving is 5.4% based on the annual rate of return on 10-year treasury bonds.

An adult saves for homeownership for 10 years (e.g., from age 26 to 35). The worker's age at the time of a home purchase is not relevant to the calculation of homeownership savings. However, the assumption that a house is purchased after saving for 10 years is based on the Census Bureau's 2008 Housing Vacancy Survey, which shows that approximately two-thirds of first-time home buyers are under age 35, with an average age of 33.³⁷ This suggests that the "typical" first-time home buyer saves for at most 12 years if a 4-year college graduate and 16 years if a high school graduate

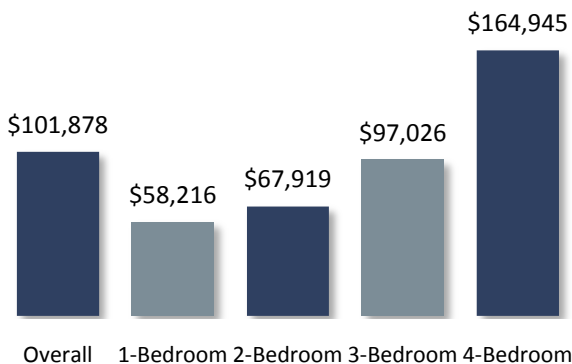
(assuming the home buyer pays a down payment out of his or her own savings). Given the limited income of new graduates and competing demands for savings, a 10-year saving period results in a reasonably conservative savings requirement.

Homeownership Savings Goal

The home prices that are the homeownership savings goals are lower quartile values by number of bedrooms. A lower quartile home price is consistent with the asset-building literature, which suggests a lower quartile home price as a "starter" home.³⁸ A home at the lower quartile is reasonably priced but more likely to retain its value or appreciate than the least expensive homes in the same area.

The Census Bureau provides lower quartile home prices for all homes in the US in American Community Survey summary data. Home prices are adjusted by family size under the assumption that one or two adults need a 1-bedroom house, that adults don't share bedrooms with children, and one additional bedroom is needed for every two children in the family. Home prices are assumed to increase by 3.38% annually for the next 10 years based on the past trends of the National Housing Price Index.

Figure 14: US Lower Quartile (25th Percentile) Home Price by Number of Bedrooms, 2010



Source: 2009 American Community Survey (ACS) summary data; adjusted for bedroom size. 2009 prices adjusted to 2010 values using 2010 National Housing Price Index (HPI).

The Impact of a Smaller Down Payment on Homeownership Savings

The BEST calculates monthly homeownership savings amounts for a 20% down payment and closing costs, since the financial benefits of homeownership are substantially higher for those who make a higher down payment.³⁹ Larger down payments also allow owners to make smaller monthly mortgage payments than those who make smaller down payments.

However, saving up to 20% of a home price for a down payment, especially in areas with high home prices, is beyond the means of many low- and moderate-income workers. The monthly savings amounts for 10% and 5% down payments are presented in Table 17. However, if individuals make down payments of less than 20%, home

equity is slow to accrue, and the financial benefits of homeownership, particularly in the short and intermediate term, are smaller.

Table 17: US Monthly Homeownership Savings, by Down Payment, for Selected Families, 2010

	1 Worker	1 Worker, 1 Preschooler, 1 Schoolchild	2 Workers, 1 Preschooler, 1 Schoolchild
10% Down Payment	\$61	\$71	\$71
5% Down Payment	\$35	\$41	\$41

SOURCE TABLE

US BEST Data Sources			
BEST Component	Expense/Savings Component	Data Date	Source
Housing	Rent	October 2010	US Department of Housing and Urban Development. " Final FY 2011 Fair Market Rent Documentation System ." <i>Huduser</i> . October 2010.
	Utilities	October 2010	US Department of Housing and Urban Development and the American Community Survey. <i>Utility Ratios</i> (Unpublished). Washington, DC: Huduser, 2000.
Food	Low-Cost Food Plan	December 2010	US Department of Agriculture. Official USDA Food Plans: Cost of Food at Home at Four Levels, US Average, December 2010 . Washington, DC: US Department of Agriculture, 2010.
Transportation	Driving Costs	December 2010	American Automobile Association. " Your Driving Costs: 2010 Edition ." 2010.
	Gasoline Prices	December 2010	US Department of Energy. " US Retail Historical Gasoline Prices ." <i>US Retail Historical Gasoline Prices</i> . 2010.
	Auto Insurance Costs	December 2008	National Association of Insurance Commissioners. " Auto Insurance: Average Expenditures for Auto Insurance by State 2007-2008 ." <i>Insurance Information Institute</i> . 2007.
	Miles Driven	2009	US Department of Transportation. " Online Table Designer ." <i>National Housing Travel Survey</i> . 2009.
Child Care	Child Care	April 2010	National Association of Child Care Resource and Referral Agencies (NACCRRA). Parents and the High Price of Child Care: 2010 Update . Arlington, VA: NACCRRA, 2010.
Personal and Household Items	Personal and Household Items	December 2007	Bureau of Labor Statistics. Consumer Expenditure Survey . 2007.
Healthcare	ESI Costs	December 2009	US Department of Health and Human Services. " Table II: USA, Private Sector Data by Firm Size, 2009 ." <i>Agency for Healthcare Research and Quality, Medical Expenditure Panel Survey</i> . 2009.
	NESI Costs	December 2006	US Department of Health and Human Services. " Table 6. Health Insurance Coverage of the Civilian Noninstitutionalized Population: For the Privately Insured, Non-Elderly Population, Policies for Individual (Non-Group) Health Insurance, Total Number, and Mean, Median Premium Cost ." <i>Agency for Healthcare Research and Quality: Medical Expenditure Panel Survey Household Component, 2006</i> . 2006.
	Out of Pocket Expenses	December 2008	US Department of Health and Human Services. " Table 1: Total Health Services-Median and Mean Expenses Per Person with Expense and Distribution of Expenses by Source of Payment: United States, 2008 ." <i>Agency for Healthcare Research and Quality: Medical Expenditure Panel Survey, 2008</i> . 2008.
Taxes and Tax Credits	Federal Taxes and Credits	2010	" 2010 Form 1040 US Individual Income Tax Return ." <i>Internal Revenue Services</i> . 2010.
	State Taxes	2009	Davis, Carl, Kelly Davis, Matthew Gardener, Robert S. McIntyre, Jeff McLynch, and Alla Sapozhnikova. Who Pays? A Distributional Analysis of the Tax Systems in All 50 States . Washington, DC: Institute on Taxation and Economic Policy,

2009.

Emergency Savings	Median Unemployment Spell	2008	Bureau of Labor Statistics. " Table 30: Unemployed Total and Full-Time Workers by Duration of Employment ." <i>Current Population Survey</i> . 2008.
	Median Employee Tenure	2008	Bureau of Labor Statistics. " Employee Tenure ." <i>Current Population Survey</i> . September 26, 2008.
	UI replacement rate	2010	US Department of Labor. Unemployment Insurance Data Summary . Washington, DC: US Department of Labor, 2010.
	UI Maximum Benefits	2010	US Department of Labor. Comparison of State Unemployment Laws: Monetary Entitlement . Washington, DC: US Department of Labor, 2010.
	Rate of Return for a 4-week Treasury Bill	2010	" Selected Interest Rates ." <i>Federal Reserve Statistical Release</i> . 2010.
Retirement Savings	National Elder Index	2006	Conahan, Judith, Ellen A Bruce, Laura H Russell, and Wider Opportunities for Women. The WOW-GI National Elder Economic Security Standard: A Methodology to Determine Economic Security for Elders . Washington, DC: Wider Opportunities for Women, 2006.
	Life Expectancy	2005	Bell, Felicitie C., and Michael L. Miller. Life Tables for the United States Social Security Area 1900-2100 . Washington, DC: US Social Security Administration, 2005.
	Employer-match for savings	2007	Dworak-Fisher, Keenan. " Employer generosity in employer-matched 401(k) plans, 2002-03 ." <i>Monthly Labor Review</i> , 2007: 11-19.
	Average Social Security Benefits	2009	US Social Security Administration. Annual Statistical Supplement to the Social Security Bulletin, 2010 . Washington, DC: US Social Security Administration, 2011.
	Needed Future Amount	2009	Present Value Tables for a Series of Future Payments .
Education Savings	2-year college tuition and fees	December 2009	National Center for Education Statistics. Digest of Education Statistics, 2009 . Washington, DC: US Department of Education, National Center for Education Statistics, 2009.
	4-year college tuition, fees, room, and board	December 2009	National Center for Education Statistics. Digest of Education Statistics, 2009 . Washington, DC: US Department of Education, National Center for Education Statistics, 2009.
	Transportation and book costs	December 2010	College Board. Trends in College Pricing, 2010 . Washington, DC: College Board, 2010.
	Grant Ratios	2003	Choy, Susan P., and Ali M. Berker. How Families of Low and Middle-Income Undergraduates Pay for College: Full-Time Dependent Students in 1999-2000 (No. NCES 2003-162) . Statistical Analysis Report, Washington, DC: US Department of Education, National Center for Education Statistics, 2003.
	529 Savings Plans	2005	Clancy, Margaret, Reid Cramer, and Leslie Parrish. Section 529 Savings Plans, Access to Postsecondary Education, and Universal Asset Building . Washington, DC: New America Foundation, 2005.
Adult Education	2 year college tuition and fees	December 2009	National Center for Education Statistics. Digest of Education Statistics, 2009 . Washington, DC: US Department of Education, National Center for Education Statistics, 2009.
	Lifetime Learning Credit	2009	" 2010 Form 1040 US Individual Income Tax Return ." <i>Internal Revenue Services</i> . 2010.
Homeownership Savings	Lower Quartile Home Prices	2009	US Census Bureau. "Detailed Tables: B25076 Lower Value Quartile (Dollars)-Universe: Owner- Occupied Housing Units." 2009 American Community Survey, 1-year Estimates . 2010.
	Lower Quartile home	2008	US Census Bureau. 2008 American Community Survey: 1 year

	prices by bedrooms		estimates . 2009.
	National Housing Price Index	2010	Federal Housing Finance Agency. House Price Indexes . 2010.
	Average Closing Costs	2010	Bankrate. 2010 State-by-State Closing Costs . 2010.
	Interest Rates	2010	" Selected Interest Rates ." <i>Federal Reserve Statistical Release</i> . 2010.
All	Inflation Rates	December 2010	Bureau of Labor Statistics. " Consumer Price Index- All Urban Consumers (Current Series) ." <i>Bureau of Labor Statistics</i> . December 2010.

BIBLIOGRAPHY

- "2010 Form 1040 US Individual Income Tax Return." *Internal Revenue Services*. 2010.
<http://www.irs.gov/pub/irs-pdf/f1040.pdf>
- AARP Public Policy Institute. *Social Security: 10 Facts that Matter*. Washington, DC: AARP, 2009.
- Acemoglu, Daron. "Technical Change, Inequality, and the Labor Market." *Journal of Economic Literature*, 2002: 7-72.
- American Automobile Association. "Your Driving Costs: 2010 Edition." 2010.
<http://www.aaexchange.com/Assets/Files/200948913570.DrivingCosts2010.pdf> (accessed February 2011).
- Bankrate. *2010 State-by-State Closing Costs*. 2010.
<http://www.bankrate.com/finance/mortgages/2010-closing-costs/>.
- Bell, Felicitie C., and Michael L. Miller. *Life Tables for the United States Social Security Area 1900-2100*. Washington, DC: US Social Security Administration, 2005.
- Berker, Ali, and Laura Horn. *Work First, Study Second: Adult Undergraduates who Combine Employment and Postsecondary Enrollment (No. NCES 2003-167)*. Statistical Analysis Report, Washington, DC: US Department of Education, National Center for Education Statistics, 2003.
- Board of Trustees, Federal Old-Age And Survivor's Insurance and Federal Disability Insurance Trust Funds. *The 2009 Annual Report of the Board of Trustees of the Federal Old-Age and Survivor's Insurance and Federal Disability Insurance Trust Funds*. Washington, DC: US Government Printing Office, 2009.
- Bostic, Raphael W., and Kwan O. Lee. "Homeownership: America's Dream?" In *Insufficient Funds: Savings, Assets, Credit, and Banking among Low-Income Households*, by Rebecca M Blank and Michael S Barr, 218-256. New York: Russel Sage Foundation, 2009.
- Bradburn, Ellen M., and C. Dennis Carroll. *Short-Term Enrollment in Postsecondary Education: Student Background and Institutional Differences in Reasons for Early Departure, 1996-98 (No. NCES 2003-153)*. Washington, DC: US Department of Education, National Center for Education Statistics, 2002.
- Choy, Susan P. *Nontraditional Undergraduates (No. NCES 2002-012)*. Statistical Analysis Report, Washington, DC: US Department of Education, National Center for Educational Statistics, 2002.
- Choy, Susan P., and Ali M. Berker. *How Families of Low and Middle-Income Undergraduates Pay for College: Full-Time Dependent Students in 1999-2000 (No. NCES 2003-162)*. Statistical Analysis Report, Washington, DC: US Department of Education, National Center for Education Statistics, 2003.
- Clancy, Margaret, Reid Cramer, and Leslie Parrish. *Section 529 Savings Plans, Access to Postsecondary Education, and Universal Asset Building*. Washington, DC: New America Foundation, 2005.
- College Board. *Trends in College Pricing, 2010*. Washington, DC: College Board, 2010.
- Conahan, Judith, Ellen A. Bruce, Laura H Russell, and Wider Opportunities for Women. *The WOW-GI National Elder Economic Security Standard: A Methodology to Determine Economic Security for Elders*. Washington, DC: Wider Opportunities for Women, 2006.
- Davis, Carl, Kelly Davis, Matthew Gardner, Robert S. McIntyre, Jeff McLynch, and Alla Sapozhnikova. *Who Pays? A Distributional Analysis of the Tax Systems of All 50 States*. Washington, DC: Institute on Taxation and Economic Policy, 2009.
- Dworak-Fisher, Keenan. "Employer generosity in employer-matched 401(k) plans, 2002-03." *Monthly Labor Review*, 2007: 11-19.
- Eisenberg, Elliot F. "Characteristics of First-Time Home Buyers." *National Association of Home Builders*. January 23, 2008.
<http://www.nahb.org/generic.aspx?genericContentID=88533> (accessed July 9, 2009).
- Federal Housing Finance Agency. *House Price Indexes*. 2009.
<http://www.fhfa.gov/Default.aspx?Page=87>.
- Goan, Sarah K., and Alisa F. Cunningham. *Differential Characteristics of 2-Year Postsecondary Institutions (No. NCES 2007-164rev)*. Statistical Analysis Report, Washington, DC: US Department of Education, National Center for Educational Statistics, 2007.
- Green, Richard K., and Michelle J. White. "Measuring the Benefits of Homeowning: Effects on Children." *Journal of Urban Economics*, 1997: 441-461.
- He, Wan, Manisha Sengupta, Victoria A. Velkoff, and Kimberly, A. DeBarros. *65+ in the United States: 2005*. Washington, DC: US Census Bureau, 2005.
- Horn, Laura, Emily F. Cataldi, and Anna Sikora. *Waiting to Attend College: Undergraduates who Delay their*

- Postsecondary Enrollment (No. NCES 2005-152)*. Statistical Analysis Report, Washington, DC: US Department of Education, National Center for Education Statistics, 2005.
- Kaiser Family Foundation. "The United States: Health Insurance Coverage of Adults 19-64, states (2008-2009), US (2009)." *Statehealthfacts.org*. 2010. <http://www.statehealthfacts.org/profileind.jsp?ind=130&cat=3&rgn=9&cmprgn=1>.
- Kane, John, and Lawrence M. Spizman. "Race, Financial Aid Awards and College Attendance: Parents and Geography Matter." *The American Journal of Economics and Sociology*, 1994: 85-97.
- Kazis, Richard. *Community Colleges and Low Income Populations: A Background Paper*. Boston, MA: Jobs for the Future, 2002.
- Lerman, Robert I., and Signe-Mary McKernan. "Benefits and Consequences of Holding Assets." In *Asset Building and Low-Income Households*, by Signe-Mary McKernan and Michael Sherraden (Eds.). Washington, DC: Urban Institute Press, 2008.
- Nam, Yung, Caroline Ratcliff, and Signe-Mary McKernan. "Effects of Asset Tests and IDA Programs." In *Asset Building and Low-Income Households*, by Signe-Mary McKernan and Michael Sherraden (Eds.). Washington, DC: Urban Institute Press, 2008.
- Nam, Yung, Jin Huang, and Michael Sherraden. "Asset Definitions." In *Asset Building and Low-Income Households*, by Signe-Mary McKernan and Michael Sherraden (Eds.). Washington, DC: Urban Institute Press, 2008.
- National Association of Child Care Resource and Referral Agencies (NACCRRA). *Parents and the High Price of Child Care: 2010 Update*. Arlington, VA: NACCRRA, 2010.
- National Association of Insurance Commissioners. "Auto Insurance: Average Expenditures for Auto Insurance by State 2007-2008." *Insurance Information Institute*. 2010. <http://www.iii.org/media/facts/statsbyissue/auto/>.
- National Bureau of Economic Research. *US Business Cycle Expansions and Contractions*. Cambridge, MA: National Bureau of Economic Research, 2008.
- National Center for Education Statistics. *Digest of Education Statistics, 2009*. Washington, DC: US Department of Education, National Center for Education Statistics, 2009.
- Present Value Tables for a Series of Future Payments*. <http://www.docstoc.com/docs/6180/Present-value-tables-for-a-series-of-future-payments>.
- Ratcliffe, Caroline, and Katie Vinopal. *Are Families Prepared for Financial Emergencies?* Washington, DC: The Urban Institute, 2009.
- "Selected Interest Rates." *Federal Reserve Statistical Release*. 2010. <http://www.federalreserve.gov/releases/h15/data.htm>.
- Shapiro, Thomas M. *The Hidden Cost of Being African-American: How Wealth Perpetuates Inequality*. Oxford & New York: Oxford University Press, 2004.
- Sherraden, Michael. "Asset-Building Policy and Programs for the Poor." In *Assets for the Poor: The Benefits of Spreading Asset Ownership*, by Thomas M. Shapiro and Edward N. Wolff (Eds.), 302-323. New York: Russell Sage Foundation, 2001.
- Sherraden, Michael, and Michael S. Barr. "Institutions and Inclusion in Saving Policy." In *Building Assets, Building Credit: Creating Wealth in Low-Income Communities*, by Nicolas P. Retsinas and Eric S. Belsky, 286-315. Washington, DC: Brookings Institution Press, 2005.
- Sullivan, James X. "Borrowing During Unemployment: Unsecured Debt as a Safety Net." *Journal of Human Resources*, 2008: 383-412.
- US Bureau of Labor Statistics. *Consumer Expenditure Survey*. 2007. <http://www.bls.gov/cex/>.
- US Bureau of Labor Statistics. "Consumer Price Index- All Urban Consumers (Current Series)." *US Bureau of Labor Statistics*. December 2010. <http://data.bls.gov:8080/PDQ/outside.jsp?survey=cu> (accessed February 2011).
- US Bureau of Labor Statistics. "Employee Tenure." *Current Population Survey*. September 26, 2008. <http://www.bls.gov/news.release/tenure.t01.htm> (accessed August 30, 2009).
- US Bureau of Labor Statistics. "Table 2. Retirement Benefits: Access, participation, and take-up rates Data Table." *Employee Benefits Survey*. March 2010. <http://www.bls.gov/ncs/ebs/benefits/2010/ownership/private/table02a.pdf>.
- US Bureau of Labor Statistics. "Table 30: Unemployed Total and Full-Time Workers by Duration of Employment." *Current Population Survey*. 2008. <http://www.bls.gov/cps/cpsaat30.pdf> (accessed August 30, 2009).
- US Census Bureau. "2008 American Community Survey: 1 year estimates." 2009. http://factfinder.census.gov/servlet/DTGeoSearchByListServlet?ds_name=ACS_2008_1YR_G00_&lang=en&_ts=287075807522 (accessed March 2010).
- US Census Bureau. "2009 American Community Survey: 1 year estimates." 2010. <http://factfinder.census.gov/servlet/DTGeoSearchByListServlet>

vlet?ds_name=ACS_2009_1YR_G00_&_lang=en&_ts=287075807522 (accessed February 2011).

US Census Bureau. "Detailed Tables: B25076 Lower Value Quartile (Dollars)- Universe: Owner- Occupied Housing Units." 2009 *American Community Survey, 1-year Estimates*. 2010.

http://factfinder.census.gov/servlet/DTGeoSearchByListServlet?ds_name=ACS_2009_1YR_G00_&_lang=en&_ts=319377311643

US Department of Agriculture. *Official USDA Food Plans: Cost of Food at Home at Four Levels, US Average, December 2010*. Washington, DC: US Department of Agriculture, 2011.

US Department of Energy. "US Retail Historical Gasoline Prices: United States." *US Retail Historical Gasoline Prices*. 2010.

http://www.eia.doe.gov/oil_gas/petroleum/data_publications/wrgp/mogas_history.html (accessed February 2011).

US Department of Health and Human Services. *Statistical Brief #285: Employer-Sponsored Single, Employee-Plus-One, and Family Health Insurance Coverage: Selection and Cost, 2009*. Washington, DC: Medical Expenditure Panel Survey, 2010.

US Department of Health and Human Services. "Table 1: Total Health Services- Median and Mean Expenses Per Person with Expense and Distribution of Expenses by Source of Payment: United States, 2008." *Center for Financing, Access and Cost Trends, Agency for Healthcare Research and Quality: Medical Expenditure Panel Survey, 2008*. 2009. <http://www.meps.ahrq.gov/mepsweb/> (accessed February 2011).

US Department of Health and Human Services. "Table II: USA, Private Sector Data by Firm Size, 2009." *Agency for Healthcare Research and Quality, Medical Expenditure Panel Survey*. 2009. http://www.meps.ahrq.gov/mepsweb/data_stats/state_tables.jsp?regionid=35&year=2009 (accessed February 2011).

US Department of Health and Human Services. "Table 6. Health Insurance Coverage of the Civilian Noninstitutionalized Population: For the Privately Insured, Non-Elderly Population, Policies for Individual (Non-Group) Health Insurance, Total Number, and Mean, Median Premium Cost." *Center for Financing, Access, and Cost Trends, Agency for Healthcare Research and Quality: Medical Expenditure Panel Survey Household Component, 2006*. 2006. http://www.meps.ahrq.gov/mepsweb/data_stats/summ_tables/hc/hlth_insr/2006/t6_f06.htm.

US Department of Housing and Urban Development. "Final FY 2011 Fair Market Rent Documentation System." *Huduser*.

October 2010.

<http://www.huduser.org/portal/datasets/fmr/fmrs/docsys.html&data=fmr11> (accessed February 2011).

US Department of Housing and Urban Development and the American Community Survey. *Utility Ratios (Unpublished)*. Washington, DC: Huduser, 2000.

US Department of Labor. *Comparison of State Unemployment Laws: Monetary Entitlement*. Washington, DC: US Department of Labor, 2009.

US Department of Labor. "Minimum Wage Laws in the States." *Wage and Hour Division*. <http://www.dol.gov/whd/minwage/america.htm> (accessed February 2011).

US Department of Labor. *Unemployment Insurance Data Summary*. Washington, DC: US Department of Labor, 2009.

US Department of Transportation. "Data Products." *Census Transportation Planning Products*. February 2010. <http://www.fhwa.dot.gov/ctpp/dataproduct.htm> (accessed March 2011).

US Department of Transportation. "Online Table Designer." *National Housing Travel Survey*. 2009. <http://nhts.ornl.gov/tables09/ae/TableDesigner.aspx> (accessed February 2011).

US Government Accountability Office. *Unemployment Insurance: Low-Wage and Part-Time Workers Continue to Experience Low Rates of Receipt*. Report to Congress, Washington, DC: US Government Accountability Office, 2007.

US Social Security Administration. *Annual Statistical Supplement to the Social Security Bulletin, 2010*. Washington, DC: Social Security Administration, 2010.

US Social Security Administration. "Old Age, Survivors, and Disability Insurance." *Annual Statistical Supplement, 2010*. 2010. <http://www.ssa.gov/policy/docs/statcomps/supplement/2010/5h.html#table5.h2>.

Wei, Christina C., and Laura Horn. *Persistence and the Attainment of Beginning Students with Pell Grants (No. NCES 2002-169)*. Statistical Analysis Report, Washington, DC: US Department of Education, National Center for Education Statistics, 2002.

Wilson, William J. *When Work Disappears: The World of the New Urban Poor (1st ed.)*. New York: Knopf, 1996.

Zhan, Min, and Michael Sherraden. "Assets, Expectations, and Children's Educational Achievement in Female-Headed Households." *Social Service Review*, 2003: 191-211.

END NOTES

¹ Children younger than 19 are divided into four age categories: infant, preschooler, schoolchild and teenager (with toddlers included in the infant category).

² Many BEST expenses are applicable to working adults 65 and older. However, such older adults are likely to participate in Medicare, and to receive Social Security, which contradict BEST health care and income assumptions. For information on the income needs of fully retired elders, see Wider Opportunities for Women's Elder Economic Security Standard Index at www.wowonline.org.

³ US Department of Transportation, "Data Products"

⁴ Ibid.

⁵ Nearly 91% of full-time employees in the US worked at firms that offered health insurance, and 79.6% of those full-time employees participated in the insurance plans their employers offered. In 2009, 74.2% of *part-time* employees in the US worked at firms that offered health insurance. Only 25% of part-time employees were eligible to participate in employer plans, and only 15% of part-time employees were enrolled in employer-sponsored insurance.

DHHS, MEPS. "USA, private-sector data by firm size, 2009".

⁶ Kaiser Family Foundation, "The United States: Health Insurance Coverage"

⁷ US Department of Health and Human Services, *Statistical Brief #285: Employer-Sponsored*

⁸ Davis, et. al., *Who Pays? A Distributional Analysis of the Tax Systems of all 50 States*

⁹ Ibid.

¹⁰ BEST families may save for higher education in 529 college savings plan. Savings into 529 accounts are tax-deductible in some states. For detailed information about state-by-state 529 tax benefits, please refer to Clancy, Cramer, & Parrish (2005).

¹¹ The need for emergency savings is difficult to operationalize because emergency needs are diverse. The BEST defines the emergency for which workers save as the average value of unemployment to the worker. The BEST assumes that the worker will be unemployed for the median unemployment duration during the most recent business cycle. This emergency was chosen because other emergencies such as exceptional car repair costs or health costs are included within averages found in BEST private transportation and out-of-pocket expenses. Further, most families are unlikely to be able to pay catastrophic health costs with their savings, and families' economic security lies to some degree in the hands of the health care insurance system. The examination of unemployment accords with the BEST assumption that all adults are workers, and will allow subsequent use of BEST data in analyses and discussions of the nature and impact of unemployment.

¹² US Government Accountability Office, *Unemployment Insurance: Low-Wage and Part-Time Workers*

¹³ Sullivan, "Borrowing During Unemployment: Unsecured Debt as a Safety Net"

¹⁴ Ratcliffe and Vinopal, *Are Families Prepared for Financial Emergencies?*

¹⁵ US Bureau of Labor Statistics "Table 30: Unemployed Total and Full-Time Workers by Duration of Employment"

¹⁶ US Bureau of Labor Statistics, "Employee Tenure"
The most recent complete business cycle includes a contraction from March 2001 to November 2001 and an expansion from November 2001 to December 2007 (National Bureau of Economic Research, *US Business Cycle Expansions and Contractions*).

¹⁷ US Department of Labor, *Unemployment Insurance Data Summary*

¹⁸ The total amount of retirement savings is the amount of savings needed to fill the gap of unmet consumption needs during a worker's retirement. According to Bell and Miller (2005) life expectancy at age 65 is 16.73 years for a man and 19.49 years for a woman. For the simplicity of calculation, the BEST assumes that an elder couple consists of a husband and wife of the same age; that both retire at age 65. Therefore, an elder couple is expected to live together after retirement for 16.73 years and then the wife is assumed to live alone for an additional 2.76 years. Similarly, the BEST assume that a single elder lives for 18.11 years after retirement (average of the life expectancies of a man and a woman).

¹⁹ US Bureau of Labor Statistics, "Table 2. Retirement benefits: Access, participation, and take-up rates"

²⁰ He, Sengupta, Velkoff, and DeBarros, *65+ in the United States: 2005*

The BEST estimates the amount of social security income using the average social security benefit reported in Social Security Administration's (2011) *Annual statistical supplement to the Social Security Bulletin, 2010*. The BEST uses the average family benefit amount for a worker and spouse in estimating social security income for elder couples. Since women tend to live longer than men, BEST utilizes the average benefit amount of female-worker only families for social security income of the elder couple after the husband's death. For single-elder households, BEST takes the average of the benefit amounts for female-worker only families and male-worker only families.

²¹ The Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Fund's 2009 Annual Report assumes that the trust fund real interest rate is 2.9 % a year.

²² US Bureau of Labor Statistics "Table 2. Retirement Benefits: Access, participation"

²³ Dworak-Fisher, "Employer generosity in employer-matched 401(k) plans, 2002-03"

²⁴ More than 60% of community college students live with their parents (Choy & Berker 2003).

²⁵ Kazis, *Community Colleges and Low Income Populations*

Wei and Horn, *Persistence and the Attainment of Beginning Students with Pell Grants*

²⁶ The BEST assumes that college expenses increase at a rate equal to the rate of return on investment. Although college tuition increased almost twice as fast as the general inflation rate, the rate of increase is similar to increases in rates of return on 10-year Treasury bonds between 1998 and 2008.

²⁷ Choy and Berker, *How Families of Low and Middle-Income Undergraduates Pay for College*

²⁸ Nam, Huang, and Sherraden, "Asset Definitions"
Shapiro, *The Hidden Cost of Being African-American*

²⁹ Choy and Berker, *How Families of Low and Middle-Income Undergraduates Pay for College*

³⁰ Clancy, Cramer, and Parrish, *Section 529 Savings Plans*

³¹ Kazis, *Community Colleges and Low Income Populations*

³² Choy, *Nontraditional Undergraduates*

³³ Horn, et. al., *Waiting to Attend College*
Wei and Horn, *Persistence and the Attainment of Beginning Students with Pell Grants*

³⁴ Horn, et. al., *Waiting to Attend College*

³⁵ Berker and Horn, *Work First, Study Second*
Goan and Cunningham, *Differential Characteristics of 2-Year Postsecondary Institutions*

³⁶ Adult students receive grants from the federal and state governments and employers. According to Berker and Horn (2003), 31.9% of part-time adult students attending community college received grants and, among those who received grants, the average grant was \$668 in 1999-2000. Accordingly, the amount of grants available for an adult is estimated at \$282 (inflation-adjusted average grant amount for all students (0.319 x \$668)).

³⁷ Eisenberg, "Characteristics of First-Time Home Buyers"

³⁸ Nam, Huang, and Sherraden, "Asset Definitions"

³⁹ Bostic and Lee, "Homeownership: America's Dream?"

