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Helping Women in California Build Wealth

Women use their income to pay for day-to-day household expenses, but wealth is the key to economic security. Wealth is a measure of what a person owns, minus their debt. Wealth allows families to weather financial setbacks, save for a rainy day or retirement, or even to boost the financial security of their children. When women are paid less than men, they accumulate less wealth over time. Moreover, women are more likely to work part-time or in low-wage jobs – often due to circumstances outside of their control – which restricts access to benefits that boost wealth, such as job-based retirement plans. This "wealth divide" is even larger for women of color, due to ongoing discrimination and a legacy of policies inhibiting their ability to earn and save.[1] In the US, the median wealth for single black and Latinx women is $300 and $1,200, respectively, which is far less than the wealth of white men and women (Figure 1). Additionally, in California homeownership and business ownership rates for women of color are quite low relative to white women (Figure 2 and Figure 3).

Certain wealth-stripping practices can also undercut women's ability to save. For example, government-imposed fines and fees disproportionately affect people with low incomes. These charges can include parking tickets, application fees, and assessments imposed on people involved with the criminal justice system. Unpaid fines and fees can result in mounting debt, lower credit scores, and wage garnishment, which could make it difficult for people to pay for rent, food, or other basics. Criminal justice-related fees, in particular, place a heavy burden on women, who often pay these charges for family members.[2] In addition, predatory lending practices, such as payday loans, often target low-income women and women of color and can burden families with debt by charging high fees and interest rates.[3] These practices can even affect women's ability to buy a home or own a business – two critical ways to build wealth.

Increasing women's wealth would improve their financial security and create additional wealth-building opportunities over time, potentially affecting multiple generations. State policymakers should take action to promote wealth building for women, while also curbing wealth-stripping practices that erode Californians' financial security, exacerbate race-based inequities, and create roadblocks to economic success.

KEY POLICIES

Policies to promote wealth building for low-income women include the following:

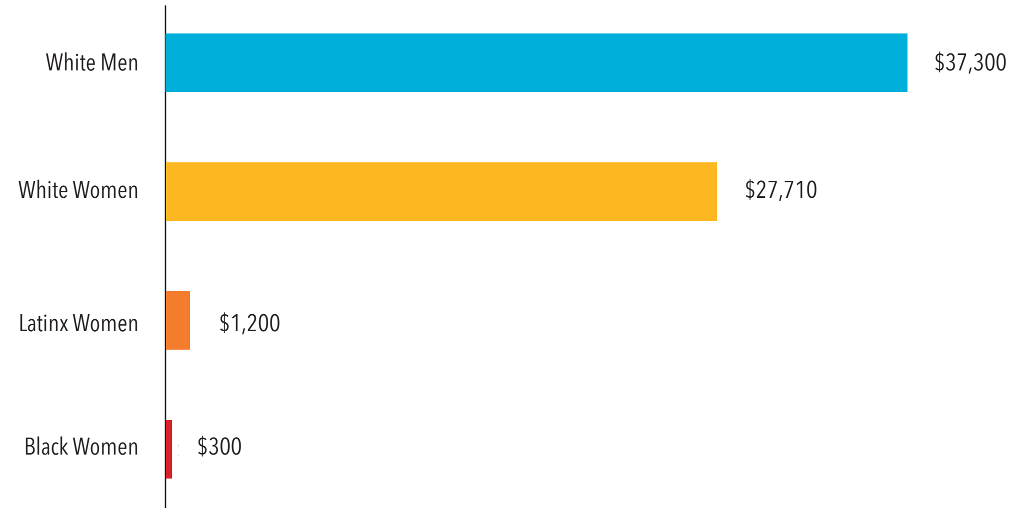
- High housing costs lock many Californians out of homeownership – a major wealth-building tool. Cities and counties can **create pathways to homeownership for individuals with low incomes**, using an array of tools, such as shared equity programs. Shared equity programs can help individuals afford a home by lowering initial costs. When selling the home, the homeowners retain a limited share of the proceeds, with the remainder reinvested in the program, which maintains affordability for future buyers with low incomes.[4]
- State policymakers can **fund outreach to boost participation in CalSavers**, California's voluntary retirement savings plan for the millions of workers who don't have access to a retirement plan through their employer. Women make up over half of the target population for this new program. CalSavers will launch in 2019 and, when coupled with the $15 minimum wage, could boost low-income workers' retirement incomes by 50%.[5]
- State policymakers can follow the lead of eight other states and **eliminate asset limits for CalWORKs**, the state's welfare-to-work program. Most families cannot receive CalWORKs cash assistance if they have more than $2,250 in savings or certain other resources. Eliminating these caps would allow families to save for unexpected financial setbacks while also reducing red tape and state costs.[6]

Policies to address wealth-stripping practices include the following:

- Local jurisdictions can follow the lead of San Francisco and **reform city and county fines and fees** for people involved with the criminal justice system and for other local charges to ensure that they don't overburden individuals with low incomes.
- Six states have limited predatory lending practices by prohibiting or capping interest rates for certain financial products. California can follow suit and **impose an annual rate cap of 36% or less on payday loans and high-cost installment loans**.

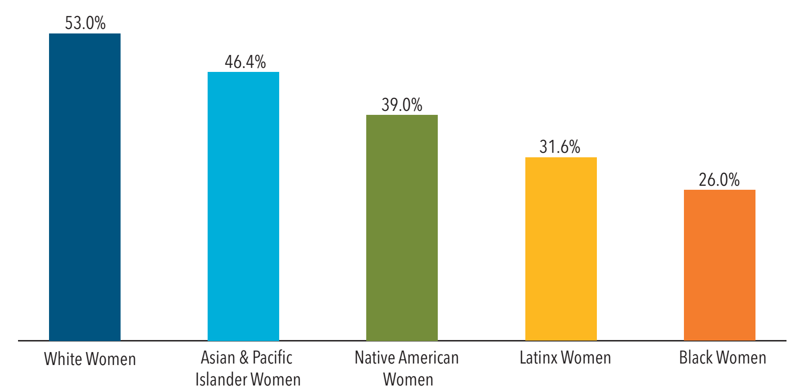
When women are able to build wealth, they can invest in their families and communities, boosting prosperity.

FIGURE 1 **Median Wealth for Single White Men and Single Women by Race and Ethnicity in the United States, 2016**



Note: Data are for individuals ages 18 to 64. Race and ethnicity categories are mutually exclusive. "Other" category not shown here. Wealth is defined as total assets minus total debt. The wealth estimates do not include vehicles. Source: Budget Center analysis of the Federal Reserve Board, Survey of Consumer Finances

FIGURE 2 **Percentage of Single Women in California Who Own Homes by Race and Ethnicity, 2016**



Note: Data are for single, household heads age 18 and older. Single includes never married, divorced, and widowed. Race and ethnicity categories are mutually exclusive.
Source: Budget Center analysis of US Census Bureau, American Community Survey

FIGURE 3 **Percentage of Women in California Who Own a Business, 2012**

Note: Women include civilians age 18 and older who are in the labor force. Businesses include firms with and without employees.
Source: Budget Center analysis of US Census Bureau, Survey of Business Owners and Current Population Survey

ENDNOTES

1 Heather McCulloch, *Closing the Women's Wealth Gap: What It Is, Why It Matters, and What Can Be Done About It* (Closing the Women's Wealth Gap Initiative: Updated January 2017).

2 See Saneta deVuono-powell, et al., *Who Pays? The True Cost of Incarceration on Families* (Ella Baker Center, Forward Together, Research Action Design: September 2015) and The Financial Justice Project, Office of the Treasurer & Tax Collector, City and County of San Francisco, *Criminal Justice Administrative Fees: High Pain for People, Low Gain for Government* (May 2018).

3 Suparna Bhaskaran, *Pinklining: How Wall Street's Predatory Products Pillage Women's Wealth, Opportunities, and Futures* (New Jersey Communities United, ISAIAH, ACCE Institute: June 2016).

4 Brett Theodos, et al., *Affordable Homeownership: An Evaluation of Shared Equity Programs* (Urban Institute: March 2017).

5 Nari Rhee, *California's $15 Minimum Wage and Secure Choice Retirement Savings Program Can Boost Young Low-Income Worker's Retirement Incomes by 50%* (UC Berkeley Center for Labor Research and Education: December 2017).

6 The Pew Charitable Trusts, *Do States Benefit From Restricting Safety-Net Eligibility Based on Wealth?* (September 2017).

Additional analyses focusing on Work Supports, Boosting Income, and the Safety Net can be found at http://calbudgetcenter.org/womens-well-being. We are thankful to a number of individuals who provided comments on policies to boost women's economic security, employment, and earnings in California. A full list can be found at http://calbudgetcenter.org/womens-well-being/about.