Lifting Asset Limits Helps Families Save

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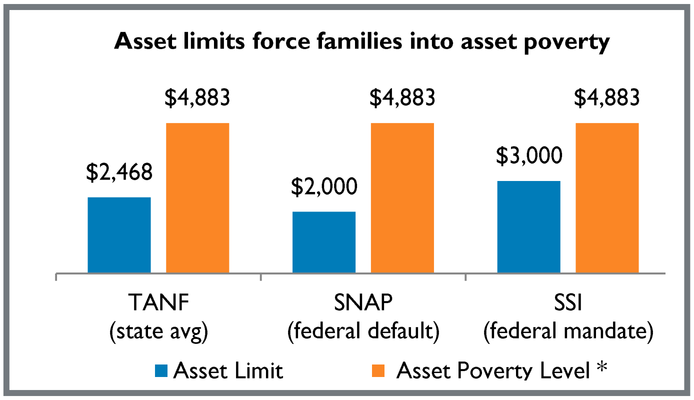
Asset limits create barriers to save for those who need savings the most

Many public benefit programs discourage family savings. Asset limits in TANF, SNAP, LIHEAP and SSI limit eligibility to those with very little in savings.[1] If a family has savings over the limit, it must "spend down" in order to receive assistance. The asset limits range from about $2,000 to $3,000, were instituted years ago and have never been indexed to inflation.



* For family of three in 2013

Asset limits get it backwards. Public benefits help families get by; savings help them get ahead. Personal savings are precisely the kind of resources that allow families to move off public benefits. Instead of encouraging self-sufficiency, asset limits discourage families from saving for emergencies, education, homeownership and retirement.

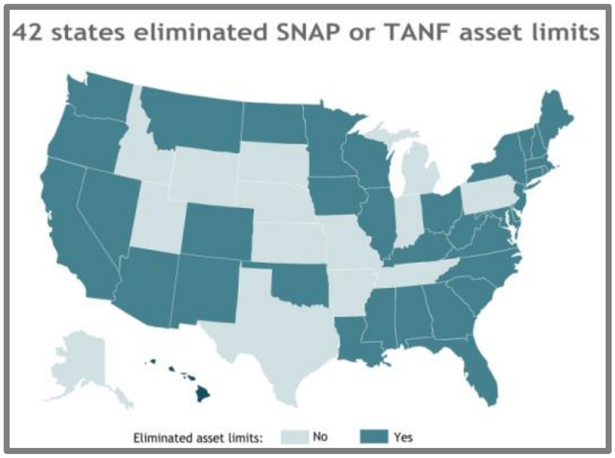
Asset limits are outdated policy. Asset limits are a relic of a safety net strategy that no longer exists. Most families no longer spend years on welfare. The TANF program focuses on quickly moving families to financial self-reliance. More than half of families receive SNAP for less than 10 months.[2] Asset limits discourage these families from saving and preparing for self-sufficiency, needlessly prolonging reliance on government benefits.

The SSI program, by contrast, does give individuals with disabilities a long-term safety net. Yet, the punitive SSI asset test prevents recipients from saving for their children's future or building up any retirement savings of their own, forcing SSI recipients into a poverty level existence well into old age.

Most states have already lifted or eliminated asset limits

States understand that asset limits are bad policy. TANF and SNAP are federal programs administered by states, but federal law gives states the flexibility to lift or eliminate asset limits for these programs. Taking advantage of this flexibility, a substantial number of states have eliminated asset limits in these programs.

36 states have used the flexibility allowed by federal law to eliminate asset limits in SNAP, and eight have done so for TANF. Only 12 states choose to apply asset limits to LIHEAP benefits.[3] By contrast, SSI is administered solely by the federal government and requires congressional action to lift or eliminate asset limits.



Recent federal policy issues around asset limits

"Broad-based categorical eligibility" helps families save and simplifies SNAP administration. Broad-based categorical eligibility allows states to waive the SNAP asset limit for recipients of other public benefits who meet certain income requirements. As a result of this policy, states can ensure that families that save more than $2,000 are no longer kicked off SNAP or made ineligible in the first place. In short, the policy allows states to encourage low-income families to save for the future without fear of losing crucial support today.

Federal proposals to lift asset limits include legislation introduced by Rep. Niki Tsongas (D-MA) and Rep. Raúl Grijalva (D-AZ) (H.R. 1601) that would increase asset limits in SSI to $10,000. President Obama's 2011 budget included a legislative proposal to lift asset limits nationally to a minimum of $10,000 for both SNAP and TANF.

Asset limits for Medicaid eliminated in 2014. After decades of imposing asset limits on families enrolled in Medicaid, as of January, 2014, states are no longer required to review assets for the vast majority of families applying for Medicaid. This policy change applies to all states, including those that did not opt for the Affordable Care Act Medicaid expansion.

Asset limits increase administrative costs and fail to reduce caseloads. The Illinois Department of Human Services estimated that eliminating TANF asset limits reduce administrative costs by $1 million. Furthermore, after eliminating TANF asset limits, caseloads in Ohio, Virginia and Louisiana decreased or remained constant.[4] Congress should update asset limit policy to reflect these lessons learned by states.

Actions Congress should take to eliminate asset limits

Preserve states' flexibility to waive asset limits in TANF and SNAP. States know that asset limits are bad policy and most have used existing federal flexibility to lift or eliminate asset limits for one or both of these programs. Congress should protect broad-based categorical eligibility and reject any proposal that threatens to take away state flexibility to lift asset limits for state-administered public benefit programs.

Allow families to save for their children. Because of asset limits, families that save in 529 education savings accounts or in Child Savings Accounts (CSAs) are at risk of losing TANF, SNAP, LIHEAP and SSI benefits. Congress should ensure families can save for their children without fear of losing public benefits.

Lift SSI asset limits to $10,000, indexed this limit to inflation, and offer greater flexibility for families. In addition to raising the SSI limit, Congress should exempt long-term investments in illiquid assets, such as retirement accounts and health savings accounts.

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[1] Federal law allows states to set TANF assets limits at any level or eliminate them. Of the 45 states that maintain asset limits for TANF, the average asset limit is $2,469.33 and the median is $2,000.
[2] United States Department of Agriculture, *Building a Healthy America: A Profile of the Supplemental Nutrition Assistance Program*, April 2012.
[3] U.S. Administration for Children and Families, *LIHEAP Heating Assistance Eligibility: Assets Test*, 2012.
[4] Leslie Parrish, *To Save or Not to Save? Reforming Asset Limits in Public Assistance Programs to Encourage Low-income Americans to Save and Build Assets*, May 2005.