

Research [in] Brief

Asset-Testing and the US Income Security System



Primary issue

Income security programs in the United States strengthen the social safety net. This safety net comprises a complex system of benefits, such as food stamps and the Earned Income Tax Credit, that are distributed based on “means testing,” or an examination of a potential recipient’s income and assets. However, means tests do not always ensure that the neediest receive the support they require and may even contribute to keeping people in poverty.



Key findings

Cleveland Fed researchers used the Survey of Income and Program Participation (SIPP) to assess how effective asset-testing is in measuring the actual assets and needs of individuals and families. They found that benefit recipients

- have significantly less accumulated wealth than nonrecipients
- have a relatively larger share of their assets in property and other noncash items when compared to the asset distribution of nonrecipients

These findings mesh with other experts’ findings that suggest that asset-testing may affect recipients’ decisionmaking regarding how they save and spend money, potentially with a negative effect, to ensure that they don’t exceed benefits thresholds.



The bottom line

Asset-tested benefit recipients have a smaller average net worth than nonrecipients at every level of income distribution, and benefit recipients in the lowest income brackets are in asset poverty. These findings suggest the need for broader examination of the effectiveness of asset limits of means-tested transfers and alternative methods to support people most in need of a social safety net.



Want to find out more? Read “Means-Tested Transfers, Asset Limits, and Universal Basic Income” at clevelandfed.org/ec202210.

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