



Without an income people can't get by, but without assets people can't get ahead.
- Ray Boshara
Vice President,
New America Foundation

Asset building accounts, whether registered or not, provide a vital cushion in difficult times and a plan for preventing financial instability in the future. The more we can support Albertans to save, the better.
- Lori Sigurdson
Minister of Seniors and Housing,
Government of Alberta

Supporting Albertans to Save

An asset-building approach to poverty reduction

EXECUTIVE SUMMARY

Alberta's Income Support programs provide vital financial assistance and additional support to individuals who do not currently possess sufficient resources to meet their basic needs. However, it is not only an individual's income that is evaluated in determining eligibility for this assistance; to qualify, applicants are required to disclose all liquid assets, the total value of which is then compared to a liquid asset limit. If the value of liquid assets exceeds a determined amount, the individual is termed ineligible to receive social assistance, regardless of income level.

In Alberta, current asset limits are restrictive: they are set at a level low enough to discourage many lower-income Albertans from saving and ownership, which are two vital tools for individuals working to move out of poverty and achieve long-term financial stability. Moreover, these limits can result in applicants liquidating hard-earned assets to qualify for support. As social assistance programs evolve we must investigate how Income Support policies may be contributing to

the perpetuation of poverty in Alberta, and could be "stripping applicants of the same productive assets they will need to leave and stay off welfare later on."¹

Among the voices influencing the shifting social assistance landscape are advocates for the removal of asset limits from eligibility calculations altogether, and proponents of basic or guaranteed income. Such perspectives represent promising future policies and both merit further exploration. However, this policy brief focuses on the short-term, incremental change that will allow for a possible transition to these innovative policies.

We recommend that the Government of Alberta raise the existing asset limit and asset exemption levels that are used to determine eligibility for Income Support programs. As we work to better Alberta's social assistance programs, whether by eliminating asset limits altogether or piloting basic income, there is immediate benefit in raising asset limits, standardizing programs and their implementation, and measuring and evaluating their success.

1 Jennifer Robson. "Wealth, Low-Wage Work and Welfare: The Unintended Costs of Provincial Needs-tests," SEDI, 2008, <http://prospercanada.org/getattachment/b704caf8-7bbb-4aca-b710-87c67261b18f/Wealth,-Low-Wage-Work-and-Welfare-The-Unintended-C.aspx>

THE ISSUE

As Albertans we need to ask ourselves why we do not want people who are poor to own anything. This question was first proposed in a Metcalf Foundation report, which suggested our social systems require a re-examination of policies that contribute to the perpetuation of poverty.² Restrictive asset limits for Income Support programs can deter hard-working Albertans from saving and ownership, and are counterproductive to the goal of helping families achieve financial stability. Revised policy approaches can encourage people to save, build their assets, and ultimately achieve a sustainable livelihood. The proposed changes in this brief also support better standardization of asset limits across the social assistance system.

Without personal assets, people are unable to plan for the future and have little cushion against sudden unemployment, serious illness, or an emergency situation. Building personal assets can enable individuals to avoid financial shock and achieve longer-term financial independence. However, social policy can deter vulnerable people from saving, and can strip applicants of the assets they will need to exit the income support system and maintain their independence.



Oscar and his family moved to Canada in 2009 for better opportunities. Upon arrival, they opened an RESP account for their children, and have been saving ever since.



Ashley saved money to go to nursing school to build a brighter future for herself and her son.

RECOMMENDATIONS

Momentum recommends that the Government of Alberta raise current asset limits for Income Support programs, and measure the impact of these changes. Our proposed amendments to the Income Support, Training and Health Benefits Regulation are:

1. Exempting all savings for the first 90 days of receiving public benefits;
2. Increasing liquid asset limits to \$4,000 per person to a household maximum of \$20,000 for families with children;
3. Exempting all assets in Registered Retirement Savings accounts and the Tax-Free Savings Account, up to \$10,000 per person to a household maximum of \$60,000; and
4. Indexing asset limit changes to inflation, or conducting an annual review of total limits.

These proposed increases are based on the policies of Manitoba and Quebec, which reflect the highest asset limits in Canada. A full summary of provincial income support programs is provided in Appendix A.

² John Stapleton, "Why don't we want the poor to own anything?," Metcalf Foundation, 2009, <http://metcalfoundation.com/wp-content/uploads/2011/05/why-dont-we-want-to-poor-to-own-anything.pdf>

RATIONALE

The recommendations in this brief highlight three major opportunities: supporting Albertans to save, providing potential efficiency and cost savings, and standardizing asset limits across income support programs.

Supporting Albertans to keep their savings may decrease the likelihood of individuals needing government assistance, and if they access it, may reduce the length of time they need it.³ Households with assets, when compared with those without, tend to experience less financial strain, and assets can reduce the impact of unforeseen shock.⁴ A study examining the role that savings can play in helping individuals overcome income instability found that holding liquid assets of up to \$1,999 significantly reduces the risk of enduring material hardship.⁵ This suggests that assets and savings of even moderate size can serve as a buffer, which can better enable households to respond to circumstances that would otherwise spur hardship, and potentially longer-term poverty.⁶ Extensive research shows the importance of assets as a pathway out of poverty⁷ and a predictor of economic stability and mobility.⁸ In short, assets are the ladder rungs for people to climb out and stay out of poverty, or the trampoline to help people bounce back from hardship in the first place.

There is precedent in other provinces for reviewing and raising asset limits. The Manitoba Saves initiative resulted in the Government of Manitoba raising the exempted asset limits used to determine eligibility for

social assistance in 2008/2009.⁹ In 2012, following commitments made under Ontario's 2008 Poverty Reduction Strategy, the Commission for the Review of Social Assistance in Ontario presented the province's Minister of Community and Social Services with a suite of recommendations to improve social assistance in Ontario. Among the recommendations were five targeted suggestions for "simplifying asset rules and helping recipients become more financially resilient."¹⁰

They included¹¹:

- "that the Province take immediate steps to harmonize the liquid asset rules, so that a maximum of \$5,000 for a single individual and \$7,500 for a couple will apply equally to all social assistance recipients";
- "that the Province assess empirically whether the increase has had a demonstrable impact on caseload growth and on recipients' ability to exit social assistance, ... and that if the higher asset limits have not resulted in a significant net caseload increase, the asset limits be further raised";
- "that the Province introduce a total allowable exemption for Registered Retirement Savings Plans, Registered Education Savings Plans, Individual Development Accounts, and other long-term savings vehicles from the calculation of assets, to a maximum of \$60,000, in determining eligibility for social assistance."

3 Aleta Sprague and Rachel Black, "State Asset Limit Reforms and Implications for Federal Policy," New America Foundation, 2012, https://static.newamerica.org/attachments/3826-state-asset-limit-reforms-and-implications-for-federal-policy/SpragueBlackFinal10.31.12_0.557490fb36df433a80bd5cb2f3885e5d.pdf

4 Susan E. Mayer and Christopher Jencks, "Poverty and the Distribution of Material Hardship," *The Journal of Human Resources* 24 , no. 1 (1989): 88-114, cited in David W. Rothwell and Robert Haveman, "Definition and measurement of asset poverty in Canada," (2013), https://www.mcgill.ca/sociology/files/sociology/david_rothwell_oct_30_2013.pdf

5 Gregory Mills and Joe Amick, "Can Savings Help Overcome Income Instability?" *The Urban Institute*, 2010: 9, <http://www.urban.org/sites/default/files/alfresco/publication-pdfs/412290-Can-Savings-Help-Overcome-Income-Instability-.PDF>

6 Ibid

7 Rothwell and Haveman, 2013.

8 Michael Sherraden, *Assets and the poor: A new American welfare policy* (Armonk, NY: M.E. Sharpe, 1991); Juan Rafael Morillas, "Assets, earnings mobility and the black/white gap," *Social Science Research* 36 (2007): 808-833: <http://courses.washington.edu/pbafadv/examples/assets%20and%20wealth%20RE%20and%20FE.pdf>; Mi Zhan and Michael Sherraden, "Assets, expectations, children's educational achievement in female-headed households," 2003, cited in Rothwell and Haveman, 2013.

9 Province of Manitoba News Release <http://www.gov.mb.ca/chc/press/top/2008/11/2008-11-21-120900-4790.html>

10 Frances Lankin and Munir A. Sheikh, "Brighter Prospects: Transforming Social Assistance in Ontario," Commission for the Review of Social Assistance in Ontario, 2012: 29

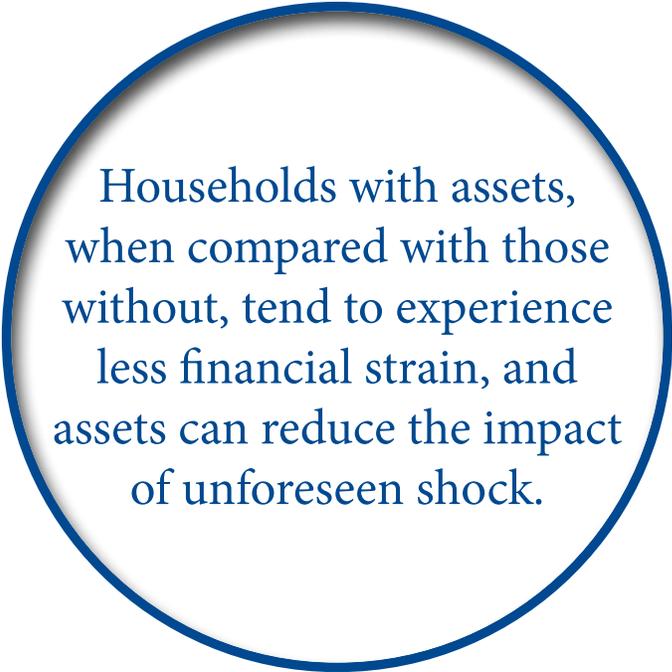
11 Ibid, 92-93

RATIONALE - CONTINUED

The rationale supporting these recommendations was that rules at the time “undermined the ability”¹² of individuals to become financially stable, and also contradicted many policies and initiatives geared toward promoting saving and asset building. The report also addresses the concern that an increase in asset limits would result in larger caseloads, and thus higher program costs in general. The authors note that “neither the recent asset level increases in Manitoba, nor Quebec’s \$60,000 limit for RRSPs and other savings, have had a significant impact on the number of social assistance cases.”¹³ In its 2013 budget, the Government of Ontario increased asset limits for Ontario Works support recipients to \$2,500 for a single individual and \$5,000 for a couple.¹⁴ Recent data indicates that caseloads have not increased as a result of the raised asset limits for Ontario Works recipients.¹⁵

Similar evidence exists in American analyses. For example, Sprague and Black suggest that eliminating asset tests for social assistance programs such as Supplemental Nutrition Assistance Program (SNAP) and Temporary Assistance for Needy Families (TANF) increased administrative efficiency and resulted in savings in several American states. They also note that many states experienced “minimal adjustments” to caseloads when lifting asset limits.¹⁶ When Oklahoma eliminated asset limits for Medicaid, the state reported nearly \$1 million in administrative savings, while an analysis conducted by the Virginia Department of Social Services found that savings resulting from the elimination of TANF asset limits would outweigh expected increased spending on benefits by a 3-to-1 ratio.¹⁷

Income support programs across all provinces in Canada exempt RESP and RDSP accounts from eligibility criteria. The Government of Alberta also recently exempted RESPs and RDSPs from social housing asset limit calculations. Lori Sigurdson, Minister of Seniors and Housing stated: “By making this change, we are ensuring that low-income Albertans are not being penalized for saving for their future security or their children’s education.” Asset building accounts, whether registered or not, provide a vital cushion in difficult times and a plan for preventing financial instability in the future. The more we can support Albertans to save, the better.



Households with assets, when compared with those without, tend to experience less financial strain, and assets can reduce the impact of unforeseen shock.

¹² Ibid, 91

¹³ Ibid

¹⁴ Income Security Advocacy Centre, “Changes to Asset Rules for People on Ontario Works.”

¹⁵ John Stapleton. Ontario unemployment and SA rates 1981 monthly to November 2015. 2016 <http://openpolicyontario.com/wp/wp-content/uploads/2016/01/Copy-of-Ontario-unemployment-and-SA-rates-1981-to-2008-2009-monthly-to-November-2015.xlsx>

¹⁶ Sprague and Black, 2012.

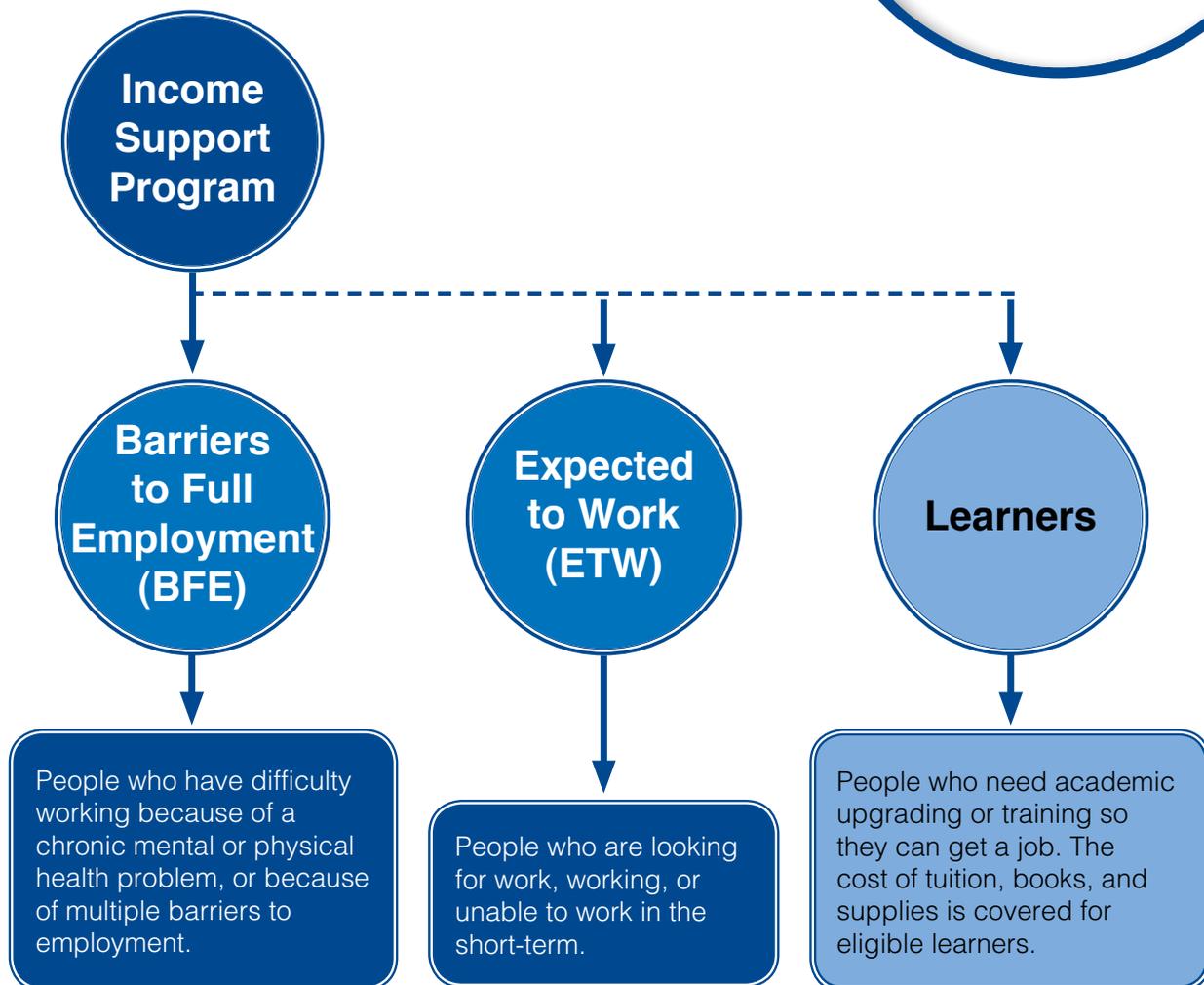
¹⁷ Rebecca Vallas & Joe Valenti, “Asset Limits Are a Barrier to Economic Security and Mobility,” Center for American Progress, 2014: 5.

ASSET LIMITS

Alberta Income Support programs considered in this brief include Barriers to Full Employment and Expected to Work. Learner benefits are not addressed.

I try to save as much as I can, because I know that saving is a good habit. Saving is also a necessary step to gradually build my assets and break out of poverty. Asset limitations are so low right now that it's as if I am being penalized.

- Mary
Alberta Income Support recipient



When considering individuals categorized as "Expected to Work", Alberta currently has lower liquid asset limits than eight other provinces in Canada. The *Income and Employment Support Act* (IESA) states: "The purpose of this Act is to provide programs for persons in need for such of their requirements for food, shelter, personal items and medical and other benefits

as are essential to their health and well-being and, in particular, to provide training and other measures **to facilitate their movement toward independence and self-sufficiency.**" Alberta's regulation supporting the IESA does not adequately meet the goal of facilitating movement towards financial independence.

The following chart outlines current asset limits, as well as the asset limits proposed in this brief that can support Albertans to save.

Alberta Income Support - Current and Proposed Liquid Asset Limits and Exemptions

Category	Current Liquid Asset Limit	Proposed Liquid Asset Limit	Current Asset Exemptions	Proposed Liquid Asset Exemptions
Expected to Work (ETW)	One month's total core benefits¹: single adult applicant \$627 ; two adults \$956 ; lone parent \$1,155	\$4,000 per applicant, up to a household maximum of \$20,000	RESP: Exempt	N/A
			RDSP: Exempt	N/A
			RRSP: \$5,000 per adult	\$10,000/person, to a household maximum of \$60,000; exempt in full for first 90 days of support
			TFSA: Non-exempt ²	
Barriers to Full Employment (BFE)	Two month's total core benefits³: single adult applicant \$1,618 ; two adults \$2,382 ; lone parent \$2,700	\$4,000 per applicant, up to a household maximum of \$20,000	RESP: Exempt	N/A
			RDSP: Exempt	N/A
			RRSP: \$5,000 per adult	\$10,000/person, to a household maximum of \$60,000; exempt in full for first 90 days of support
			TFSA: Non-exempt	

1 Households receive an additional \$33 for each child over the age of 12, as well as the National Child Benefit Supplement (\$189/month 2015-16). These two values are included when calculating the asset limit level.

2 Cash in a financial institution and term deposits are considered liquid assets -- Reg Sec. 1(1)(p)(i-ii)

3 Asset limit levels also include the Personal Needs Supplement of \$78 per month.

CONCLUSION

Momentum recommends that the Government of Alberta explore eliminating asset limits altogether and the merits of a basic income pilot. However, as a stepping stone, we suggest that the Government of Alberta first raise the current asset limits for Income Support programs, and measure the impact of these changes.

The recommendations in this brief highlight three major opportunities: supporting Albertans to save, providing efficiency and potential costs savings to Income Support programs, and standardizing

asset limits across these programs. By increasing asset limits we reduce the deterrents for vulnerable Albertans to save. Supporting Albertans to save - and keep these savings - may decrease the duration of and need for government assistance. Moreover, studies show that in jurisdictions across Canada and the United States higher asset limits have not resulted in larger caseloads or greater program costs. Lastly, the increases recommended in this brief provide a standard measure for allowable assets across Income Support programs in Alberta.

Appendix A

Jurisdiction	Legislation	Registered Retirement Savings Plan	Registered Education Savings Plan	Registered Disability Savings Plan	Current Liquid Asset Exemption Levels
NL	<i>Income and Employment Support Act & Regulations</i>	Non-exempt. RRSPs up to \$10,000 in value are exempt for the first 90 days. [Reg. – Sec. 26(3)]	Exempt. Not considered a liquid asset. [Reg. – Sec. 8(b)(iv)]	Exempt [Reg. – Sec. 8(a)(xi)]	Single applicant: \$3000; Applicant + dependent: \$5,500 [Reg. – Sec. 26(1)(a,b)]
PEI	<i>Social Assistance Act and Social Assistance Regulations</i>	Non-exempt. Considered a liquid asset. [Reg. – Sec. 13(4)(c)]	Exempt. [Reg. – Sec. 13(5)(t)]	Exempt. When redeemed, exempt up to point where income and departmental benefits meet the provincial low income rates. [Policy Manual Sec. 4-4, No. 22]	Short-term assistance: \$50 [Reg. – Sec. 7(1)] Long-term assistance, single applicant: \$200; Long-term assistance, single with disability: \$900; Long-term assistance single applicant + dependent: \$900 + \$300 for each dependent child up to a maximum of \$2,400; Long-term assistance, applicant with disability + spouse: \$1,800; Long-term assistance, applicant with spouse + dependents: \$1,200 + \$300 for each dependent child up to a maximum of \$2,400 [Reg. – Sec. 7(2), 13(4)]
NS	<i>Employment Support and Income Assistance Act & Regulations</i>	Non-exempt. [Reg. – Sec. 2(f)(vi)]	Exempt. [Reg. – Sec. 2(f)(v)]	Exempt. [Reg. – Sec. 60A]	Single applicant: \$1,000; Applicant + household: \$2,000 [ESIA Reg. – Sec. 55(1)]
NB	<i>Family Income Security Act & Regulations</i>	Non-exempt. However, up to \$50,000 is exempt for Blind, Deaf or Disabled. [NB Social Assistance Policy Manual]	Exempt. [NB Social Assistance Policy Manual]	Exempt. Also exempt for Blind, Deaf, Disabled: \$290,000 in RDSP + \$800/month in income generated from RDSP [NB Social Assistance Policy Manual]	Single applicant: \$1,000; Applicant + household: up to \$2,000 [Reg. – Sec. 8(2)(b)]; Single applicant (Blind, Deaf, Disabled): \$10,000 [Reg. – Sec. 8(2)(i)]
Que.	<i>Individual and Family Assistance Act & Regulation</i>	Exempt to \$60,000. [Reg. – Sec. 141(2)]	Exempt to \$60,000. [Reg. – Sec. 141(6)]	Exempt. [Reg. – Sec. 146(9)]	Single applicant: \$877; Single applicant + dependent child: \$1,268; Single applicant + two dependent children: \$1,502; Applicant + adult: \$1,319; Applicant + adult + 1 child: \$1,573; Applicant + adult + 2 children: \$1,807 (+ \$257 for third child, and each additional). [Reg. – Sec. 52]
Ont.	<i>Ontario Works Act & Regulations</i>	Non-exempt if accessible [Ontario Works Policy Directive 4.7]	Exempt. [Ontario Works Reg. 39(1)(21)]	Exempt. [Ontario Works Reg. 39(1)(21.1)]	Single applicant: \$2,500; Single applicant + one dependent: \$3,000 + \$500 for each additional Applicant + spouse: \$5,000; Applicant with spouse + one dependent: \$5,500; Applicant with spouse, dependent + additional dependents: \$5,500 + \$500 each [Ontario Works Reg. – Sec. 38]
Man.	<i>The Manitoba Assistance Act & Regulation</i>	Non-exempt. [Manitoba EIA Administrative Manual – Section 14.3.1]	Exempt. [Reg. – Sec. 8(1)(a)(xiv)]	Exempt. [Reg. – Sec. 8(1)(a)(xx)]	Single applicant: \$4,000; Applicant with spouse/dependents: up to \$16,000 per household. [Reg. – Sec. 8(1)(a)(iv)]
Sask.	<i>Saskatchewan Assistance Act & Regulations</i>	Non-exempt. [Saskatchewan Assistance Reg. – Sec. 2(1)(o)(ii); Saskatchewan Assistance Program Policy Manual – Sec. 6.15.1]	Exempt. [Saskatchewan Assistance Reg. – Sec. 12(3)(a)]	Exempt. [Saskatchewan Assistance Reg. – Sec. 12(3)(d)]	Single applicant: \$1,500; Applicant + family member: \$3000 + 500 for each additional family member. [Saskatchewan Assistance Reg. – Sec. 9(6)]
Alta.	<i>Income and Employment Supports Act & Income Support, Training and Health Benefits Regulation</i>	Exempt up to \$5,000 (BFE, ETW) [Reg. – Schedule 1 1(1)(l)]	Exempt (BFE, ETW). [Reg. – Schedule 1 1(1)(k)]	Exempt (BFE, ETW). [Reg. – Schedule 1 1(1)(j)]	Single applicant (ETW): \$627; Applicant + adult (ETW): \$956; Single applicant + dependent child (ETW): \$1,155 [Act – Sec. 21(2)] Single applicant (BFE): \$1,618; Applicant + adult (BFE): \$2,382; Single applicant + dependent child (BFE): \$2,700 [Act – Sec. 21(1)]
B.C.	<i>Employment and Assistance Act & Regulations</i>	Non-exempt. [Ministry of Social Development and Social Innovation Online Resource – Income and Exemptions]	Exempt. [Reg. – Sec. 11(1)(ff)]	Exempt. [Reg. – Sec. 11(1)(jj)]	Single applicant: \$2,000; Applicant + spouse / family: \$4,000 [Reg. – Sec. (11)(2)]

*Please note that when governed by separate legislation, as is the case with Assured Income for the Severely Handicapped (AISH) in Alberta, social assistance for those with disabilities is not included in this table.