United States Department of Agriculture

Food and Nutrition Service June 2016

Asset Limits, Supplemental Nutrition Assistance Program Participation, and Financial Stability (Summary)

Background

Reserving financial assets can help households weather financial emergencies and bolster long-term economic gains by enabling investment for the future. However, these resources beyond certain levels established in the Food and Nutrition Act may make low-income households ineligible for benefits such as the Supplemental Nutrition Assistance Program (SNAP).

SNAP has historically used asset limits as a way to target benefits to those most in need. SNAP counts cash, checking accounts, savings accounts, and investments easily converted to cash, and some vehicles. Retirement and educational savings, family homes, and business property used to earn income are not counted. However, in the past 15 years, States have been granted flexibility in treatment of assets, and some States have, in essence, eliminated the asset test.

This study uses data from the Survey of Income and Program Participation (SIPP) to examine the impact of SNAP asset limits on low-income households' financial stability and participation in SNAP. Of particular interest is how asset limits impact a household's ability to participate in traditional financial markets, weather financial shocks, and generally improve its economic well-being so that over time it can rely less on SNAP or other assistance programs. The study focused on six research questions:

- What are the characteristics of low-income households with relatively high assets (assets above the Federal SNAP asset limit, currently $2,250 for most households or $3,250 for households with elderly or disabled members)?
- What is the impact of SNAP asset limits on SNAP eligibility?
- What are the asset holdings of SNAP households overall, and by State asset policy?
- What is the effect of SNAP asset limits on assets and wealth?
- What is the effect of SNAP asset limits on SNAP churn and spell length?
- How are wealth and debt related to SNAP spell length?

Findings

Among all low-income households, households with relatively high countable assets are more likely to be older and have more education.

- Nearly two-thirds (62 percent) of high-asset households (above Federal SNAP asset limit) contain an elderly individual, compared to 37 percent of low-asset households (below Federal SNAP asset limit).
- Heads of high-asset households were twice as likely as heads of low-asset households to have a college degree (34 versus 17 percent).
- High-asset households are also more likely to be non-Hispanic White, contain two adults, and have no children.
- Consistent with these findings, households that are income-eligible for SNAP are more likely to fail asset tests if they contain elderly individuals, non-Hispanic Whites, or have higher incomes relative to the poverty level.

High-asset households have higher rates of ownership for every type of asset examined in the study.

- Nearly all high-asset households have a bank account, while only just over half of low-asset households have a bank account.

- Almost half of high-asset households have retirement savings, compared to only 13 percent of low-asset households.

- High-asset households were far more likely to own a home than low-asset households; the difference in rates of home ownership was most pronounced among households with elderly or disabled members.

When looking at households participating in SNAP, the study finds that **SNAP households are less likely than other income-eligible households to have assets, and the value of assets they hold is lower**.

- Only half of SNAP households have a bank account, compared to 70 percent of non-SNAP households.

- Among those with a bank account, the median value is $150 among SNAP participants versus $600 for non-SNAP households.

- SNAP households are also less likely to have *any* liquid assets – less than half compared to more than two-thirds of non-SNAP households.

- Among those with liquid assets, the median value is $450 for SNAP households compared to $3,525 for non-SNAP households.

Low-income households (below 200 percent of poverty) living in States with broad-based categorical eligibility (BBCE) were more likely to have bank accounts than households living in non-BBCE States. These households were also more likely than households in non-BBCE States to have at least $500 in a bank account, an amount frequently referenced in studies of emergency savings.

SNAP households living in States with BBCE policies are less likely to churn (defined as exiting SNAP but returning within 4 months). However, there is no difference in overall SNAP spell length between participants in BBCE and non-BBCE States.

SNAP households with higher assets have shorter SNAP participation spells. Interestingly, those with some debt also have shorter participation spells, indicating less economic vulnerability because these households have access to credit.

Methodology

This study used a variety of data sources and methods to address the research questions. The individual-level data for descriptive analyses of household characteristics and asset holdings comes from Wave 10 of the 2008 SIPP panel, which covers the fall of 2011.

The study also used a microsimulation model to examine how SNAP asset limits affect SNAP eligibility.

Finally, the study combined available data on State policy options with SIPP data from multiple panels (1996-2008) to conduct multivariate regression analyses that examined the impacts of asset limits on asset holdings, churning, and SNAP spell length.

For More Information

Ratcliffe, Caroline, et al. (2016). *Asset Limits, SNAP Participation, and Financial Stability*. Prepared by the Urban Institute and Orlin Research, for the USDA Food and Nutrition Service (available online at www.fns.usda.gov/research-and-analysis).