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Creating assets for poorest among us

The U.S. and Britain have launched innovative social policies to help those in need. Canada can learn from them

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On April 9, both the United States and Britain announced new social policies that should reshape how we view and respond to poverty and wealth creation in Canada. In Britain, the government of Prime Minister Tony Blair announced they were moving ahead with the implementation of a Child Trust Fund. In its simplest form, the Trust is the creation of a new savings account for all new-borns. For each account the government will contribute 250 pounds ($570). A higher endowment of up to 500 pounds ($1,142) will be made for the poorest families.

The growing disparity between the rich and poor in the U.K. is what prompted the government to provide leadership in equalizing opportunities for all young people. Financial education will be closely tied to the account as it matures. The fund will remain locked away until the child turns 18 and can be topped up by contributions from parents and grandparents. The Trust is a complement to Britain's child tax credit program.

As Mathew Taylor of the U.K.-based Institute for Public Policy Research stated in a response to his government's initiative: "The chancellor is clearly signalling to voters that the government is serious about creating more equal life chances. The Child Trust Fund is a rare thing in politics — a popular and progressive new policy idea."

On the same day, the United States Senate passed a new bill that will create 300,000 Individual Development Accounts (IDAs). These accounts will enable low-income Americans to save for important assets, such as a home, by having their savings matched. The initiative would work by providing financial institutions a dollar for dollar tax credit for every dollar they contribute as matching funds in IDAs to a maximum of $500 per account. If signed into law by the president in its current version, $450 million (U.S.) would be made available in Individual Development Account tax credits to match the savings of low-income families.

As with the U.K. trust fund, the principle behind the bill is to create access to savings and assets that, in turn, provide economic and social opportunities for low-income people. The start of these initiatives indicates both countries have recognized that savings and assets matter. Also, that government, whether right or left leaning, has a responsibility to provide the same access to asset opportunities to low-income people that it does to the non-poor. Such policies represent explicit attempts by the state to ensure that more and, ultimately, all people have the opportunity to accumulate some assets or financial wealth.

The issues driving these actions in Britain and the United States are alive and well in Canada.

where wealth disparity is also a social concern. The 2001 report from Statistics Canada entitled *Assets And Debts Of Canadians* provides compelling evidence as to just how important assets are to our financial security. The report emphasizes that financial and social well-being is directly linked to assets such as owning a home and/or business, and/or saving for retirement and children's education.

The study found that wealth is not evenly distributed across Canada. The top 10 per cent of households control 45 per cent of all the net worth. The poorest 10 per cent of households, as a group, have a negative net worth, meaning they owe more than they earn. Furthermore, even though in actual dollars the median wealth of all households improved by 11 per cent between 1984 and 1999, more than 30 per cent of all families remain classified as asset poor.

In Canada, social policy designed to "alleviate" poverty is largely preoccupied with income generation and cash transfers. Consequently, the response to poverty has been largely limited to devising a means of increasing the income of the poor through a myriad of tax benefit and cash transfer initiatives. In the context of welfare, these consumption-oriented approaches translate into determining how much people need to maintain the basic necessities of life and then providing them with just enough money to enable them to avoid destitution.

It is true that recent announcements heralding increases to the National Child Benefit program will certainly make a positive difference in the lives of the poor. However, it is still an income policy approach. As such, framing the problem of poverty as an income issue means we can only frame the solutions in terms of income as well. Consequently, when data are released showing poverty and wealth disparity to be increasing, we call on governments for strategies to provide greater income, increased subsidies, tax credits and so on.

The topic of encouraging and enabling low-income Canadians to save and acquire assets was not addressed in the recent "social policy" budget. What has been overlooked is the fact that when families do not have enough assets, they lose their economic security and their ability to plan, dream and transfer opportunities to future generations.

If we ignore the reality of the importance of assets in achieving and sustaining economic well-being, we may well be misleading ourselves with a false sense of progress in the fight against poverty. We will also deny low-income Canadians the opportunities and benefits for improving their lives that we have long provided to millions of other Canadians.

It is time for Canada to build on our own experience as well as that of the United States and the United Kingdom and begin developing policies and programs, such as the Child Trust Fund and IDAs, which help the asset poor.

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