ON THE ROAD
Exploring Economic Security Pathways in Indiana

By Diana M. Pearce, PhD • **January 2016**

DIRECTOR, CENTER FOR WOMEN'S WELFARE
UNIVERSITY OF WASHINGTON SCHOOL OF SOCIAL WORK

Prepared for the Indiana Institute for Working Families,
A Program of the Indiana Community Action Association

ACKNOWLEDGMENTS

The Self-Sufficiency Standard was originally developed by Dr. Diana Pearce, while serving as Director of the Women and Poverty Project at Wider Opportunities for Women. The Ford Foundation provided funding for the Standard's original development. In Indiana, calculations of the Standard have been sponsored by the Indiana Institute for Working Families, a program of the Indiana Community Action Association.

The Self-Sufficiency Standard for Indiana 2016, along with the calculations for this report, has been prepared through the cooperative efforts of Lisa Manzer, Lisa Mikesell, and Karen Segar at the University of Washington, Center for Women's Welfare, and Jessica Fraser of the Indiana Institute for Working Families.

Generous support for this report provided by: Indiana Housing and Community Development Authority, Duke Energy Foundation, Vectren Foundation, EmployIndy, the Region 4 Workforce Board, and Northeast Regional Workforce Board.

The conclusions and opinions contained in this document do not necessarily reflect the opinions of those listed above. Any mistakes are the author's responsibility.

ON THE ROAD: EXPLORING ECONOMIC SECURITY PATHWAYS IN INDIANA

INTRODUCTION

This report is the second of two complementary reports that address the issue of economic security for Indiana households. The Self-Sufficiency Standard approach to economic security consists of three elements: securing the costs of daily basic needs, creating an emergency savings fund, and choosing the appropriate asset-building Economic Security Pathway(s). The first report *The Self-Sufficiency Standard for Indiana 2016*, covers the first two elements, while this report focuses on the third element of asset-building.

#1 SECURE BASIC NEEDS

Many researchers and policy analysts have concluded that the Federal Poverty Level (FPL), developed half a century ago, is not only methodologically out of date, but also no longer accurately measures poverty.[1] Even the Census Bureau characterizes the federal poverty measure as a "statistical yardstick rather than a complete description of what people and families need to live."[2] Designed to address the major shortcomings of the FPL, the Self-Sufficiency Standard was developed to provide a more accurate, nuanced, and up-to-date measure of income adequate for basic needs.[3]

1 Ruggles, P. (1990). *Drawing the line: Alternative poverty measures and their implications for public policy*. The Urban Institute, Washington, D.C.; Bergmann, B. & Renwick, T. (1993). *A budget-based definition of poverty: With an application to single-parent families*. The Journal of Human Resources, 28 (1), 1-24.; Citro, C. & Michael, R. Eds. (1995). *Measuring poverty: A new approach*. Washington, DC: National Academy Press.

2 Dalaker, *Poverty in the United States: 2000*. (U.S. Census Bureau, Current Population Reports, Series P60-214). U.S. Government Printing Office (Washington, D.C., 2001).

3 The Self-Sufficiency Standard was developed in the mid-1990s by Diana Pearce as an alternative "performance standard" in the workforce development system, to measure more accurately and specifically what would be required to meet the Job Training Partnership Act Program goal of "self-sufficiency" for each individual participant. The development of the Standard also benefited from other attempts to create alternatives, such as Living Wage campaigns, the National Academy of Sciences studies, and Trudi Renwick's work. For more detail on the Standard, see http://www.selfsufficiencystandard.org/.

The first step to achieving economic security is meeting household basic needs at a minimally adequate level. The Self-Sufficiency Standard defines how much income families of various sizes and composition need to make ends meet without public or private assistance in each county of Indiana. The Standard calculates a family-sustaining wage that does not require choosing among basic necessities such as nutritious food, adequate housing, or child care.

#2 CREATE AN EMERGENCY SAVINGS FUND

However, as shown in the first report, *The Self-Sufficiency Standard for Indiana 2016*, the Standard is admittedly a conservative measure. It is a "bare bones" budget with costs set at minimally adequate levels with no extras. For example, the food budget has no take-out or restaurant food, not even a pizza or a cup of coffee. Realistically, achieving incomes at the Self-Sufficiency level should not be assumed to mean the achievement of economic security, but is instead the first and necessary, but not sufficient, step. All families need additional resources in order to be able to weather any unexpected income loss. In short, after having secured the cost of basic needs (as measured by the Standard)—the next step toward increased economic security is emergency savings. *The Self-Sufficiency Standard for Indiana 2016* includes a separate emergency savings calculation that estimates how much each household needs to save on a monthly basis to have a "rainy day" fund that would cover basic needs in case of an unforeseen job loss.

THE ROAD TO ECONOMIC SECURITY

The Self-Sufficiency Standard approach to economic security consists of three elements: securing the costs of daily basic needs, creating an emergency savings fund, and choosing the appropriate asset-building Economic Security Pathway(s).

STEP 1: SECURE BASIC NEEDS

The Self-Sufficiency Standard calculates how much income families of various sizes and compositions need to make ends meet without public or private assistance in each county in Indiana. The Standard measures income adequacy, and is based on the costs of basic needs for working families: housing, child care, food, health care, transportation, and miscellaneous items, plus taxes and tax credits. To download the full report and tables for 472 family types, by county, visit www.selfsufficiencystandard.org/indiana.

STEP 2: CREATE AN EMERGENCY SAVINGS FUND

Beyond meeting basic needs the next step towards economic security is saving for emergencies, particularly job loss, the most common reason for income loss. Emergency savings, together with unemployment insurance, enable families to weather economic crises, and are an essential element on the road to achieving economic security.

STEP 3: CHOOSE AN ECONOMIC SECURITY PATHWAY

Once a family has secured income at the Self-Sufficiency Standard level and instituted their emergency savings fund, the road to long-term economic security will be different for each. While there are many different options, depending on family circumstances, this report considers three key pathways that many families can take to move closer to long-term economic security: (1) postsecondary education, (2) improved housing and/or homeownership, and (3) savings for retirement.

Postsecondary Education

Improved housing Homeownership

Savings for Retirement

LONG-TERM ECONOMIC SECURITY

#3 CHOOSE AN ECONOMIC SECURITY PATHWAY

This report, assuming that basic needs and emergency savings have been secured, details the costs of taking the next steps towards economic security, which we call Economic Security Pathways, or ESPs.

Once a family has secured income at the Self-Sufficiency Standard level and instituted their emergency savings fund, the road to long-term economic security will be different for each. For some, this might be additional savings, to meet immediate costs (such as a car breakdown) or to ensure sufficient resources for the long-term costs of retirement. For others, paying off debts may be the first priority. For still others, income beyond that needed for the essentials may be devoted to securing alternative housing, enabling the family to move, thus leaving an abusive partner or a problematic neighborhood.

It is not assumed that every family can or should take any or all of these pathways. Rather, by providing this information, this report enables individuals and households to make informed choices as to which ESPs make the most sense for their situation and family.

Considered here are three key pathways that adults can take to move closer to long-term economic security (1) postsecondary education, (2) improved housing and/or homeownership, and (3) savings for retirement. For each of these pathways varying alternatives are presented, so that users of this report can explore a range of potential options and compare the costs of each one. The numbers provided are meant to give the user estimates of what and how much the costs might be for each security pathway. Of course, the actual costs for an individual family or householder will be determined by their unique situation and choices.

For each Economic Security Pathway costs are shown as specifically as possible and, when data allows, the ESP costs are shown by county. In addition, for each ESP example scenarios are modeled. These suggest different options and timeframes using various scenarios to illustrate how the ESP data can be used flexibly, in combination with the Self-Sufficiency Standard, public work supports, and private assistance to move along a given pathway. Note that these scenarios are meant to be illustrative rather than definitive, and to suggest how the ESP data presented here can be used to help plan for future asset-building.

ECONOMIC SECURITY PATHWAY #1: POSTSECONDARY EDUCATION

True long-term self-sufficiency increasingly requires human capital investments that enhance skills as well as improve access to jobs with career potential. In today's economy, one cannot easily maintain and move beyond the basic Self-Sufficiency level without a technologically advanced and broad-based education. A high-school diploma no longer has the same value it once did in the job market, as businesses increasingly require higher skill levels from potential employees.[1] Advanced education provides the flexibility to move into new, innovative, or nontraditional jobs and careers. Postsecondary education not only leads to wages well above the Self-Sufficiency level, but these jobs also provide benefits, increased stability, and have promotion and salary increase potential.

As a "human capital" investment, education is generally an excellent way to achieve economic security, for unlike other assets, it cannot be taken away or foreclosed on. The higher earnings that result can enable the achievement of other economic security goals, such as buying a house or saving for retirement.

Almost all postsecondary education or training requires resources for tuition, fees, books, and supplies, thus requiring monetary investment, as well as addressing decreased wages if attendance cannot be combined with full-time work.

HOW MUCH DOES POSTSECONDARY EDUCATION COST?

Among the many options for postsecondary education, three types are presented here: post-high school certificates, two-year community college degrees, and four-year bachelor's degrees.

POST-HIGH SCHOOL CERTIFICATE. The median earnings of certificate holders is 20% more than workers with a high school degree as their highest educational attainment.[2] There are hundreds of different options for post-high school certificates[3] in Indiana across many different fields. For example, Ivy Tech offers a Practical Nursing certificate which trains workers to become Licensed Practical Nurses. Vincennes University offers an HVAC certification that trains students to work as Heating, Ventilation, and Air Conditioning specialists.

These certificate programs vary in terms of the amount of academic credits required to earn the certificate, from just 16 credits (about one semester) to almost two years, with most certificate programs falling in between. As a result, the costs vary considerably by the type of certificate, how many credits are needed to complete it, and the specific institution at which it is offered.

To illustrate the range of costs, we have shown in **Table 1** a specific certificate or diploma program that is found at several state-supported local community colleges. For each program, the total program-specific costs are estimated, including tuition, fees, books, and supplies.[4] The costs range from about $3,400 to about $10,000, with the least expensive certificate program shown being the Tractor-Trailer Driver program offered at Vincennes University, at about $3,403 for a 16-credit program, and the most expensive being Licensed Practical or Vocational Nurses, about $8,000-$10,000.[5] Most of the certificate programs require about 30 credits for completion, and are in the $5,000 to $6,000

1 Harry Holzer & Robert Lerman, "America's Forgotten Middle Skill Jobs: Education and Training Requirements in the Next Decade and Beyond," The Workforce Alliance (2007), Washington, D.C., http://www.urban.org/UploadedPDF/411633_forgottenjobs.pdf (accessed June 1, 2011).

2 Anthony Carnevale, Stephen Rose, Andrew Hanson, "Certificates: Gateway to Gainful Employment and College Degrees," Retrieved July 21, 2015, https://cew.georgetown.edu/wp-content/uploads/2014/11/Certificates.FullReport.061812.pdf

3 Some long-term certificate programs are called diplomas, particularly in nursing programs.

4 Cost estimates are for illustrative purposes only, and prospective students should contact the school for cost details. If total program cost was provided by the school, that estimate is shown. Otherwise, the estimate is based on the posted rate and fees per credit, plus the average cost of books and supplies for community college students.

5 Most community college courses are three credits per semester. The amount of time it will take to complete a certificate program will depend on the timing of course offerings at the community college. Contact an academic advisor for more detail, if you are interested in pursuing a community college certificate.

cost range. For example, the Industrial Machinery Mechanic certificate at Ivy Tech Community College trains students to maintain industrial machinery, has an estimated cost of $6,087 and is a 34 credit program.

COMMUNITY COLLEGE TWO-YEAR DEGREE. Table 2 shows the cost of attaining an associate's degree from a public two-year community or technical college in Indiana. Indiana is unusual in that all community college campuses in the state are part of the Ivy Tech Community College system, and have standardized offerings and tuition across the 32 campuses. Additionally, Vincennes University offers publicly supported 2-year programs. The full-time total for tuition and fees for the 2015-2016 school year is $5,371 at Ivy Tech, but $6,380 at Vincennes University, which is more costly. On average, community college students spend $1,246 annually on books and supplies. It is slightly more expensive to attend part-time, because of the assumption of more inflation in costs over four years compared to two years. In total, the cost of a two-year community college degree (not including living expenses), if attending full time (two years), is $10,857 at Ivy Tech, and $12,897 at Vincennes, and if attending part time (four years), $11,338 at Ivy Tech and $13,174 at Vincennes University.

Note that these tuition rates assume a 60-credit associate's degree. However, credit requirements vary by program and may require more than 60 credits. Additionally, course prerequisites not covered in a degree program or remedial course requirements can also increase the total number of credit hours and resulting cost.

If a student attends part time they are available to work full time while attending school, but must consider that educational costs continue to rise each year. Although going part time reduces the annual cost of attending college to only $2,968 on average, the total cost of attending part time over four years is slightly higher than for two years, $12,256 compared to $11,877, due to the anticipated inflation in tuition and other costs over the longer time period.

Table 1. Estimated Cost of Selected Certificate Programs, IN 2015-2016

IN-DEMAND, HIGH-WAGE OCCUPATIONS REQUIRING POST-SECONDARY CERTIFICATE*			NUMBER OF CREDITS	ESTIMATED COST (Tuition, Fees, Books, & Supplies)
OCCUPATION	MEDIAN WAGE	ANNUAL OPENINGS		
Network and Systems Administrators	$63,000	180	32	$5,729
Web Developers	$51,800	60	27	$5,742
Industrial Machinery Mechanic	$47,600	400	34	$6,087
Heating, Air Conditioning, and Refrigeration Mechanics and Installers	$42,600	200	31	$5,550
Computer User Support Specialists	$42,200	190	32	$5,729
Surgical Technologists	$40,900	70	41	$8,720
Licensed Practical and Licensed Vocational Nurses	$40,400	890	45-47	$8,057-$9,996
Welders	$39,400	82	31	$6,593
Machinists	$39,400	380	31	$5,550
Tractor-Trailer Truck Drivers	$39,400	1,190	16	$3,403
Dental Assistants	$35,400	320	42	$7,520
Bookkeeping, Accounting, and Auditing Clerks	$34,200	740	28-31	$5,550-$5,955

* Certificate programs included in the sample were selected if the expected median wage is above $15.00 per hour and if the outlook for the job category has average or faster projected growth. Median wages and job growth projections come from the National Center for O*NET Development, O*NET OnLine, Retrieved July 21, 2015 from http://www.onetonline.org/.

Note: The cost of certificate programs is estimated for illustrative purposes only. Contact the college for specific details. Cost estimates are based on tuition, fees, books and supplies. The estimate is based on the posted tuition rate and fees per credit plus the average cost of books and supplies for community college students.

Table 2. Estimated Resident Cost of a 2-Year Associate Degree, IN 2015-2016

COMMUNITY COLLEGE	ANNUAL EXPENSES, 1ST YEAR			FULL-TIME TOTAL	PART-TIME TOTAL
	Tution & Fees	Books & Supplies	Total		
Ivy Tech Community College	$4,125	$1,246	$5,371	$10,857	$11,338
Vincennes University	$5,134	$1,246	$6,380	$12,897	$13,174

Note: Annual for full-time is defined here as 30 credit hours, for part-time it is 15 credits. Future rates are inflated based on the 10-year average change in tuition and fees for 2-year public colleges in the Midwest.

BACHELOR'S DEGREE. Table 3 shows the costs of attaining a bachelor's degree from a public four-year college or university in Indiana. The costs assume full-time attendance (30 credits per year) for four years. Included in the total are tuition, fees, books and supplies, as well as room and board during the school year. Costs are inflated for the three future years of attendance, using the average increases over the last decade. The estimated total cost of attaining a bachelor's degree from a public residential institution in Indiana is $79,100 on average. The least expensive is the University of Southern Indiana, where the cost of a bachelor's degree is $69,490, while the most expensive is Indiana University Bloomington, where the cost of a bachelor's degree is $86,046.

Another option, shown in **Table 4**, is attendance at one of the many branch campuses of the major Indiana public universities. These are designed as primarily commuter campuses, and generally offer less expensive tuition than their flagship counterparts. Indiana University's annual tuition and fees, for example, total $10,388 at its main campus in Bloomington, but run only $7,352 per year at its East campus. Excluding room and board, a bachelor's degree ranges from $34,828 at Indiana University East to $42,768 at Indiana University–Purdue University Columbus.

MEETING THE COSTS OF EDUCATION

As shown above, postsecondary education can be expensive, particularly for a four-year degree. An approach favored by many students is to use a combination of grants, scholarships, and loans. Among full-time students in public community colleges, 56% of students have federal grants averaging $4,342 and 27% have student loans averaging $4,797 annually. Among full-time students in public 4-year institutions, 38% of students have federal grants (most commonly, Pell grants) averaging $4,508 and 51% have student loans averaging $6,579 annually.[6]

A second approach to financing education is to spread out the costs over time, so that one can continue full-time or part-time employment while in school. For four-year degrees, a third way to reduce costs is to commute from home rather than pay room and board, as the average cost of room and board at Indiana's residential campuses is about half of the cost of a four-year degree (49%), so this strategy could significantly cut the cost of this degree at these schools. Moreover, if one attends one of the branch campuses, and lives at home, this not only saves on room and board, but also tuition. That is, tuition is generally more expensive at flagship campuses than branch campuses designed for commuters.

Finally, a fourth approach is to combine work and private and public assistance of various kinds; see the accompanying scenario for a discussion of this method of making post-secondary education affordable and workable.

Education, which economists call "human capital" is a key asset and pathway to economic security. Moreover, it is one asset that cannot be taken away. The intent of the calculations and detailed scenarios presented here is not to be prescriptive, but rather to make clear that this education pathway to greater economic security is realistic and doable.

6 U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS), "Table 331.20, Full-time, first-time degree/certificate-seeking undergraduate students enrolled in degree-granting postsecondary institutions, by participation and average amount awarded in financial aid programs, and control and level of institution: 2000-01 through 2011-13," https://nces.ed.gov/programs/digest/d14/tables/dt14_331.20.asp (accessed December 1, 2015).

Table 3. Estimated Cost of Bachelor's Degree, IN 2015-2016
Full-Time, Public 4-Year Residential Institutions

NAME OF PUBLIC COLLEGE OR UNIVERSITY	1ST YEAR				TOTAL COST FOR A FULL-TIME STUDENT OVER FOUR YEARS
	Tuition & Fees	Books & Supplies	Room & Board	Total	
Ball State University	$9,718	$1,091	$10,073	$19,791	$85,790
Indiana State University	$8,600	$1,091	$9,653	$18,253	$79,408
Indiana University Bloomington	$10,388	$1,091	$9,475	$19,863	$86,046
Indiana University–Purdue University Indianapolis	$9,590	$1,091	$8,154	$17,744	$77,206
Purdue University West Lafayette	$10,002	$1,091	$7,618	$17,620	$76,657
University of Southern Indiana	$7,597	$1,091	$8,276	$15,873	$69,490
4-Year Average	$9,316	$1,091	$8,875	$18,191	$79,100

Note: The 2015-16 rates for tuition and fees and room and board are inflated to future years based on the 10-year average change in costs for 4-year public colleges among Midwestern states. Books and supplies are inflated using the average change in costs between 2009-2013 for 4-year public colleges.

Table 4. Estimated Cost of Bachelor's Degree, IN 2015-2016
Full-Time, Public 4-Year Branch Institutions

NAME OF PUBLIC COLLEGE OR UNIVERSITY	1ST YEAR		TOTAL	TOTAL COST FOR A FULL-TIME STUDENT OVER FOUR YEARS
	Tuition & Fees	Books & Supplies		
Indiana University East	$7,352	$1,091	$8,442	$34,828
Indiana Purdue University Fort Wayne	$8,618	$1,091	$9,708	$40,055
Indiana University Kokomo	$7,562	$1,091	$8,652	$35,695
Indiana University Northwest	$7,387	$1,091	$8,478	$34,973
Indiana University South Bend	$7,462	$1,091	$8,553	$35,283
Indiana University Southeast*	$7,473	$1,091	$8,564	$35,328
Indiana University Purdue University Columbus	$9,275	$1,091	$10,365	$42,768
Purdue University Calumet	$7,672	$1,091	$8,763	$36,150
Purdue University North Central	$7,671	$1,091	$8,762	$36,147
4-Year Average	$7,830	$1,091	$8,921	$36,803

*Room and board is available at this commuter campus
Note: The 2015-16 rates for tuition and fees and room and board are inflated to future years based on the 10-year average change in costs for 4-year public colleges among Midwestern states. Books and supplies are inflated using the average change in costs between 2009-2013 for 4-year public colleges.

EDUCATION, WHICH ECONOMISTS CALL "HUMAN CAPITAL" IS A KEY ASSET AND PATHWAY TO ECONOMIC SECURITY.

SCENARIO

MEETING THE COST OF HIGHER EDUCATION

The first scenario presented here is that of a woman we will call Elizabeth Jones. Ms. Jones is a 25-year-old single mother with a 4-year-old preschooler, living in Marion County. She has a high school degree and works as a retail salesperson earning $9.47 per hour ($1,667 monthly), the median wage among retail salespersons in Indiana.[1] She also receives $229 per month in child support—the average amount received by families participating in the Child Support Program in Indiana.[2] Her total resources are thus $1,896 per month. However, according to the Self-Sufficiency Standard, a family of her type living in Marion County requires $3,403 per month, just to meet her basic needs. Since her wages alone plus child support cannot meet the cost of basic needs for her family, Ms. Jones combines help from her mother and state assistance programs:

- Ms. Jones lives with a parent and pays reduced housing costs, only 67% of what she would pay if living on her own.
- She is eligible for child care assistance through the state and pays $118 per month for her preschooler instead of the full market rate child care cost of $754.
- She is also eligible for food assistance though the Supplemental Nutrition and Assistance Program (SNAP/ food stamps) and the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC); these programs add the equivalent of $224 to her budget.
- In addition, because she is eligible for Medicaid, health care costs are $478 less than the employer-sponsored health insurance assumed in the Self-Sufficiency Standard.

Overall, Ms. Jones' resources with family help and public work supports cover her family's basic needs with just enough extra to consider attending her local community college. She has decided to obtain an associate degree from Ivy Tech Community College, in computer science. This degree will prepare her to work as a web developer, which will enable her to have earnings well above her Self-Sufficiency Wage, allowing her to support her family without assistance.[3] However, getting this degree will cost about $11,000. Below we explore two options for how she can achieve this goal of attaining her associate degree.

NOTE ON "DOUBLING UP" VERSUS HOUSING ASSISTANCE. We use "doubling up" rather than public housing assistance in our modeling because it is a more likely scenario. (By doubling up we refer to two or more households—whether family, friends, or roommates—living together to reduce the cost of housing.) Although families with income below 80% of area median income are technically eligible for federal housing assistance, most assistance for new program participants is limited to families with extremely low income (defined by HUD as income below 30% of area median income). According to the Center for Budget and Policy Priorities, only one in four households that are eligible for housing assistance receives any housing assistance; moreover, most agencies have years-long waiting lists for housing assistance.* In short, public housing assistance is not a likely option for most low-income households. For this reason, several of the scenarios in this brief rely on households "doubling up" as a way to reduce housing costs, rather than public housing assistance.

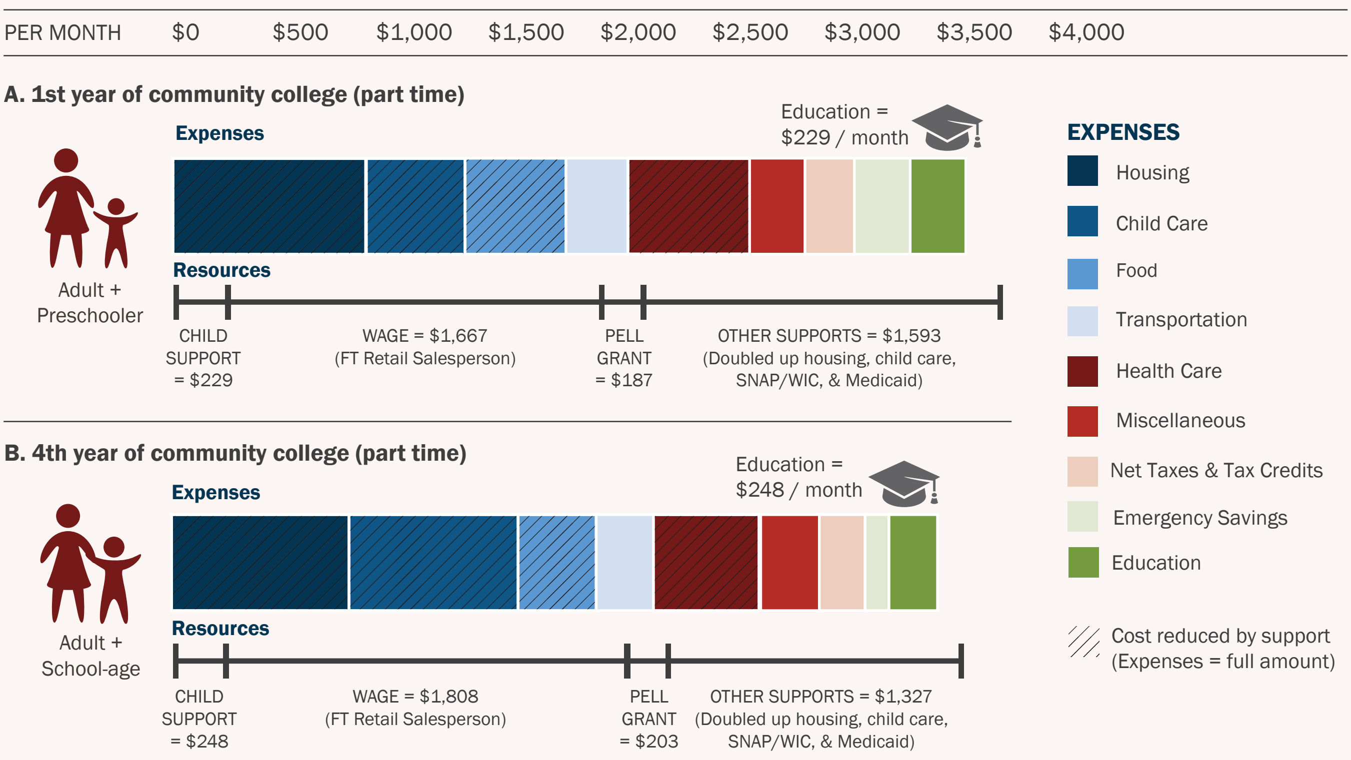
* Center on Budget and Policy Priorities (2008), "What is Public Housing?," http://www.cbpp.org/files/policybasics-housing.pdf.

1 U.S. Department of Labor, "May 2013 State Occupational Employment and Wage Estimates," Databases and Tables, Occupational Employment Statistics, http://www.bls.gov/oes/data.htm (accessed November 19, 2015).
2 U.S. Department of Health and Human Services, Administration for Children & Families, Office of Child Support Enforcement, "FY 2013 Preliminary Report," Tables 4, 14, 15 and 75, http://www.acf.hhs.gov/programs/css/resource/fy2013-preliminary-report (accessed August 28, 2014). Data has been inflated using the Bureau of Labor Statistics Consumer Price Index. U.S. Department of Labor, Bureau of Labor Statistics, "Midwest Region All Items, 1982-84=100 - CUURA101SA0," Consumer Price Index, http://data.bls.gov/cgi-bin/surveymost?cu (accessed December 1, 2015).
3 Visit http://www.onetonline.org/ to explore career options and find local salary information and training programs.

OPTION 1. This option is "pay as you go," which means that Ms. Jones attends school part time over a period of four years, while continuing to work full time (see **Figure A**). The monthly cost of attending school part time is affordable on her tight budget both because the costs are less (on average over four years it is only $236 per month for tuition, fees, books, and supplies) and because she is receiving supports that reduce her living costs (housing, child care, food and health care). The first bar shows her expenses according to the Self-Sufficiency Standard plus the cost of education. The resources line illustrates how private and public assistance helps her close the gap between her income and her family's needs. Her income and expenses are assumed to increase slightly each year with inflation. Overall, public and private supports cover $1,593 of her monthly expenses in her first year. As her young child ages from a preschooler to a school-age child over the four years, her costs change somewhat as well (e.g. child care costs go down as her child starts school but food costs increase).

Note that she has a monthly surplus of about $261 per month and will receive refundable tax credits totaling about $4,350 annually. Those funds may provide her with some reserves to add further to her emergency savings fund, or be used to secure other ESPs, such as alternative housing, a needed vehicle, etc. These funds may also be used to meet some of her basic needs if she was unable to obtain all of the work supports modeled here.

Figure A. Public and private supports close the gap between wages and expenses to allow a working single mother to attend community college, over four years.
Expenses and resources shown per month for Marion County, IN 2016

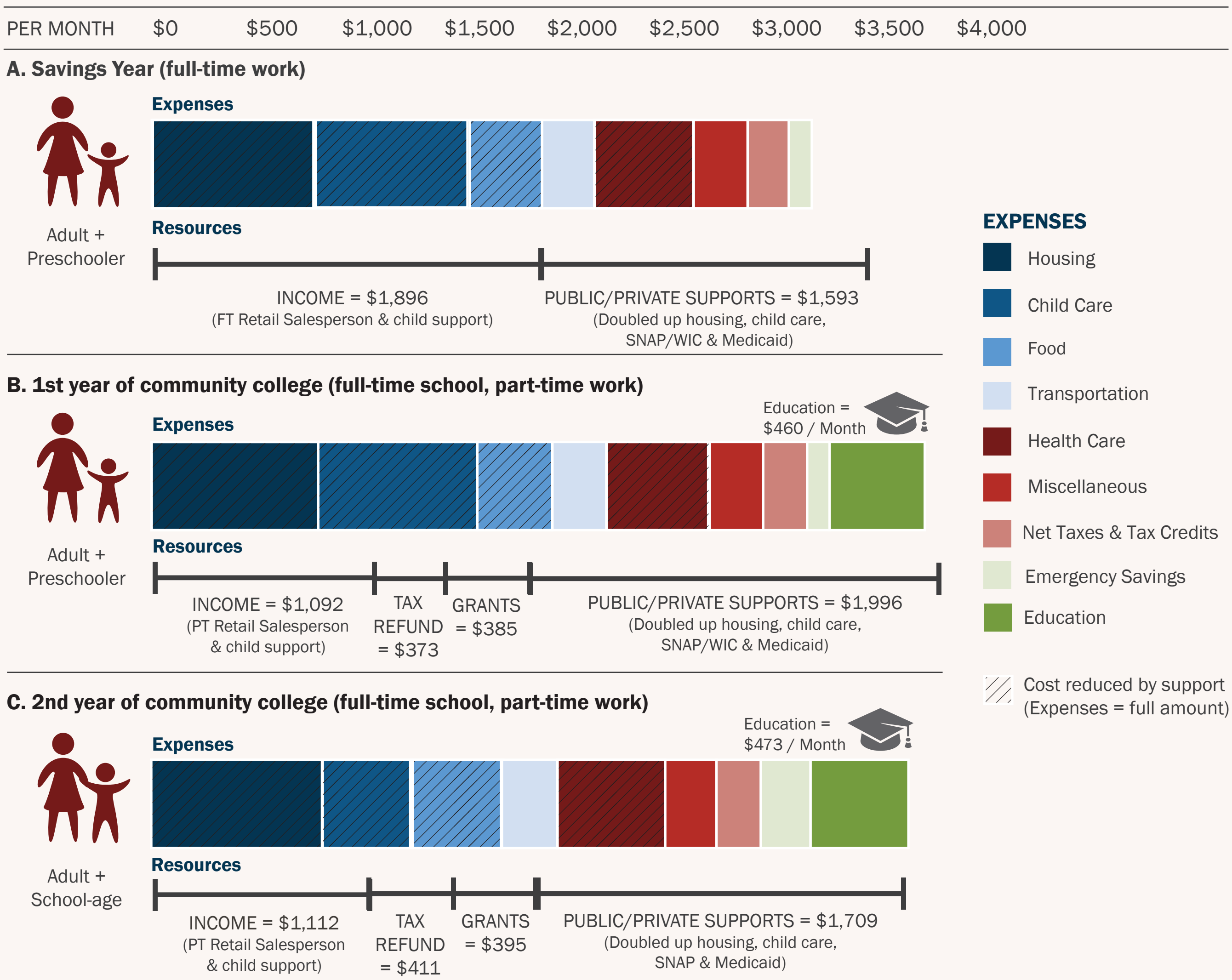


RESOURCE ASSUMPTIONS: Income is based on median wage of retail salespersons in Indiana ($9.47 per hour) and an average child support award ($229 per month). Supports include living with a parent, child care assistance, food assistance (SNAP and WIC for preschooler), and Medicaid. Grant assumes half the average Pell grant award at Ivy Tech Community College.
EXPENSE ASSUMPTIONS: Living expenses are based on costs included in the 2016 Self-Sufficiency Standard. The monthly Standard for Marion County is $3,403 for one adult and one preschooler and $2,892 for one adult and one school-age child. Education expenses are based on attendance at Ivy Tech Community College and includes the cost of tuition, fees, books, and supplies. Education expenses are not typically paid on a monthly basis, however, they are shown as such to illustrate how they fit into a monthly budget.
INFLATION ASSUMPTIONS: Expenses change with each year to reflect the child aging plus resources and expenses are updated with inflation. For illustration purposes, it is expected that expenses, wages, and income eligibility levels will increase at the same rate with each year modeled.

OPTION 2. A second approach is that of "saving first, then school" (see **Figure B**). Ms. Jones continues to work full time as a retail salesperson for one year before beginning school in order to build up her savings. When she is working full time and saving for school, she receives a refund of $4,350 in annual tax credits. These are saved and shown as a resource in **Figure B** the next year. Over the next two years, she attends school while working part time. With lower earnings, her annual tax credit refund increases to $4,670.

After her "savings" year, each year she is in school her resources to cover her expenses consist of a combination of her part time employment, her (saved) tax credit refunds, federal PELL grants, and continuing private and public assistance (living with her mother, child care assistance, food assistance, and Medicaid). If Ms. Jones receives the average financial aid award of a full-time community college student, about $4,500 annually, 83% of each year's educational costs would be covered (shown as monthly grants of $385/month).

Figure B. Public and private supports close the gap between wages and expenses to allow a working single mother to attend community college
Expenses and resources shown per month for Marion County, IN 2016



RESOURCE ASSUMPTIONS: Income is based on employment as a retail salesperson ($9.47 per hour) and an average child support award ($229 per month). Supports include living with her mother, child care assistance, food assistance (SNAP and WIC for preschooler), and Medicaid. The tax refund includes the annual refundable EITC & CTC. Grants assumes the average Pell grant award at Ivy Tech Community College.
EXPENSE ASSUMPTIONS: Living expenses are based on costs included in the 2016 Self-Sufficiency Standard. The monthly Standard for Marion County is $3,403 for one adult and one preschooler and $2,892 for one adult and one school-age child. Education expenses are based on attendance at Ivy Tech Community College and includes the monthly cost of tuition, fees, books, and supplies. While education expenses are not typically paid on a monthly basis, they are shown as such to illustrate how they can fit into a monthly budget.
INFLATION ASSUMPTIONS: Expenses change with each year to reflect the child aging plus resources and expenses are updated with inflation. For illustration purposes, it is expected that expenses, wages, and income eligibility levels will increase at the same rate with each year modeled.

ECONOMIC SECURITY PATHWAY #2
HOUSING

Whether it involves moving to more stable rental housing, or becoming a homeowner, achieving improved housing stability is an important step towards economic security. Families may need to move for a variety of reasons: seeking better schools, or job opportunities; relocating to a specific community; moving out of "doubled up" housing, shelter or transitional housing; leaving an unsafe situation (such as domestic violence); or escaping a rental market with rapidly rising rents.

The Standard presumes that all households are renters, but it only includes the ongoing cost of rent and utilities, and does not include the costs of getting ***into*** more secure housing. Two options for achieving more secure housing are discussed here: alternative rental housing and homeownership.

ALTERNATIVE RENTAL HOUSING

This option presumes that the household is now living in housing that is, for example, "doubled up," with no security deposits or other savings. Thus securing alternative rental housing requires savings to cover the costs of moving into rental housing, including the cost of the first month's rent, a security (damage) deposit, and moving expenses. These costs are calculated as follows:

- The monthly rental cost is based on the housing cost calculated in the *Self-Sufficiency Standard for Indiana 2016*, which uses the most recent Fair Market Rents (FMRs). FMRs are calculated annually by the U.S. Department of Housing and Urban Development (HUD) for each state's metropolitan and non-metropolitan areas. FMRs include utilities (except telephone and cable) and are intended to reflect the cost of housing in the current market that meets minimum standards of decency.[1] FMRs are typically set at the 40th percentile, which means that 40% of the housing in a given area is less expensive than the FMR, and 60% is more than the FMR.
- The security deposit is equal to one month of rent.
- Moving costs are quoted costs for a full service (movers and a truck) move by bedroom size for licensed and insured moving companies.[2]

Costs vary by the location and the size of the housing unit. **Table 5** shows the total savings required by county and by housing unit size in Indiana. Families that require a three or four bedroom housing unit need savings from about $2,200 to over $4,000 to move to alternative rental housing, depending on the county. In the most expensive county, Hamilton County, a family requiring a three bedroom unit requires $3,373 to secure alternative housing. In contrast, a household with no children, requiring only a one-bedroom unit, needs to save a minimum of about $1,200 in about a third of Indiana counties, up to about $2,000 in the most expensive counties in order to obtain more secure housing.

WHETHER IT INVOLVES MOVING TO MORE STABLE RENTAL HOUSING, OR BECOMING A HOMEOWNER, ACHIEVING IMPROVED HOUSING STABILITY IS AN IMPORTANT STEP TOWARDS ECONOMIC SECURITY.

1 Not all rental units include the cost of utilities. However, deposits may be required for new utility customers. Including the full FMR covers the cost of securing utilities when not included in the rent itself. For information on avoiding utility deposits see https://www.consumer.ftc.gov/articles/0220-utility-services.

2 Note that the Standard assumes adults and children do not share bedrooms, and so by definition a household with children requires at least a two-bedroom housing unit.

Table 5. Estimated Cost to Relocate to Alternative Rental Housing, IN 2016

COUNTY	BEDROOM SIZE				COUNTY	BEDROOM SIZE			
	1	2	3	4		1	2	3	4
Adams	$1,262	$1,784	$2,458	$2,993	Lawrence	$1,282	$1,814	$2,380	$3,039
Allen	$1,410	$1,913	$2,569	$2,896	Madison	$1,336	$1,888	$2,566	$2,971
Bartholomew	$1,602	$2,056	$2,710	$3,007	Marion	$1,557	$2,061	$2,842	$3,250
Benton	$1,539	$2,020	$2,815	$3,528	Marshall	$1,316	$1,860	$2,438	$2,739
Blackford	$1,260	$1,784	$2,492	$2,923	Martin	$1,300	$1,784	$2,622	$3,117
Boone	$1,593	$2,106	$2,902	$3,318	Miami	$1,410	$1,784	$2,550	$3,117
Brown	$1,752	$2,303	$3,166	$3,618	Monroe	$1,718	$2,326	$3,232	$4,063
Carroll	$1,308	$1,776	$2,492	$2,625	Montgomery	$1,344	$1,898	$2,584	$2,791
Cass	$1,260	$1,784	$2,344	$2,797	Morgan	$1,544	$2,045	$2,820	$3,225
Clark	$1,611	$2,163	$3,037	$3,471	Newton	$1,540	$2,021	$2,692	$2,959
Clay	$1,317	$1,861	$2,439	$2,740	Noble	$1,354	$1,784	$2,412	$3,001
Clinton	$1,310	$1,830	$2,504	$2,915	Ohio	$1,465	$2,047	$2,892	$3,235
Crawford	$1,260	$1,784	$2,344	$2,697	Orange	$1,260	$1,784	$2,424	$2,915
Daviess	$1,260	$1,784	$2,510	$2,643	Owen	$1,464	$1,976	$2,700	$3,451
Dearborn	$1,490	$2,080	$2,938	$3,285	Parke	$1,296	$1,784	$2,436	$3,117
Decatur	$1,414	$1,956	$2,556	$2,871	Perry	$1,260	$1,784	$2,504	$2,635
DeKalb	$1,310	$1,784	$2,434	$2,917	Pike	$1,260	$1,784	$2,426	$3,009
Delaware	$1,496	$2,062	$2,806	$3,477	Porter	$1,782	$2,318	$3,071	$3,366
Dubois	$1,282	$1,784	$2,622	$3,117	Posey	$1,273	$1,759	$2,312	$2,600
Elkhart	$1,456	$2,044	$2,668	$3,093	Pulaski	$1,260	$1,784	$2,344	$2,635
Fayette	$1,264	$1,790	$2,452	$2,711	Putnam	$1,348	$1,776	$2,610	$3,103
Floyd	$1,574	$2,116	$2,972	$3,397	Randolph	$1,338	$1,784	$2,600	$2,913
Fountain	$1,394	$1,840	$2,456	$2,711	Ripley	$1,290	$1,826	$2,474	$2,967
Franklin	$1,288	$1,822	$2,390	$2,687	Rush	$1,266	$1,792	$2,354	$2,665
Fulton	$1,282	$1,784	$2,344	$2,635	Scott	$1,414	$1,992	$2,806	$3,291
Gibson	$1,348	$1,784	$2,488	$2,827	Shelby	$1,441	$1,917	$2,649	$3,031
Grant	$1,260	$1,784	$2,434	$2,745	Spencer	$1,260	$1,784	$2,416	$2,635
Greene	$1,282	$1,784	$2,344	$2,995	St. Joseph	$1,540	$2,056	$2,714	$3,007
Hamilton	$1,876	$2,458	$3,373	$3,853	Starke	$1,298	$1,836	$2,424	$3,183
Hancock	$1,642	$2,167	$2,984	$3,411	Steuben	$1,356	$1,914	$2,544	$2,813
Harrison	$1,524	$2,053	$2,885	$3,299	Sullivan	$1,468	$1,894	$2,480	$2,785
Hendricks	$1,783	$2,342	$3,218	$3,677	Switzerland	$1,414	$1,992	$2,924	$3,195
Henry	$1,260	$1,784	$2,400	$2,639	Tippecanoe	$1,654	$2,161	$3,007	$3,774
Howard	$1,294	$1,830	$2,548	$2,699	Tipton	$1,386	$1,878	$2,496	$2,763
Huntington	$1,274	$1,804	$2,476	$2,663	Union	$1,402	$1,776	$2,334	$2,893
Jackson	$1,364	$1,792	$2,608	$2,911	Vanderburgh	$1,440	$1,976	$2,581	$2,897
Jasper	$1,410	$1,986	$2,594	$3,439	Vermillion	$1,192	$1,694	$2,231	$2,511
Jay	$1,270	$1,784	$2,504	$2,635	Vigo	$1,353	$1,909	$2,499	$2,806
Jefferson	$1,382	$1,802	$2,544	$2,723	Wabash	$1,264	$1,784	$2,344	$2,635
Jennings	$1,354	$1,910	$2,520	$2,807	Warren	$1,326	$1,788	$2,510	$2,641
Johnson	$1,658	$2,187	$3,011	$3,442	Warrick	$1,532	$2,094	$2,728	$3,059
Knox	$1,276	$1,806	$2,484	$2,665	Washington	$1,322	$1,802	$2,574	$2,767
Kosciusko	$1,362	$1,868	$2,484	$2,751	Wayne	$1,296	$1,812	$2,412	$2,673
LaGrange	$1,350	$1,784	$2,486	$2,665	Wells	$1,258	$1,720	$2,321	$2,621
Lake	$1,682	$2,195	$2,914	$3,198	White	$1,380	$1,784	$2,504	$2,635
LaPorte	$1,420	$2,000	$2,698	$2,931	Whitley	$1,348	$1,835	$2,468	$2,784

Note: Alternative housing costs include the cost of first month rent, security deposit, and moving costs.

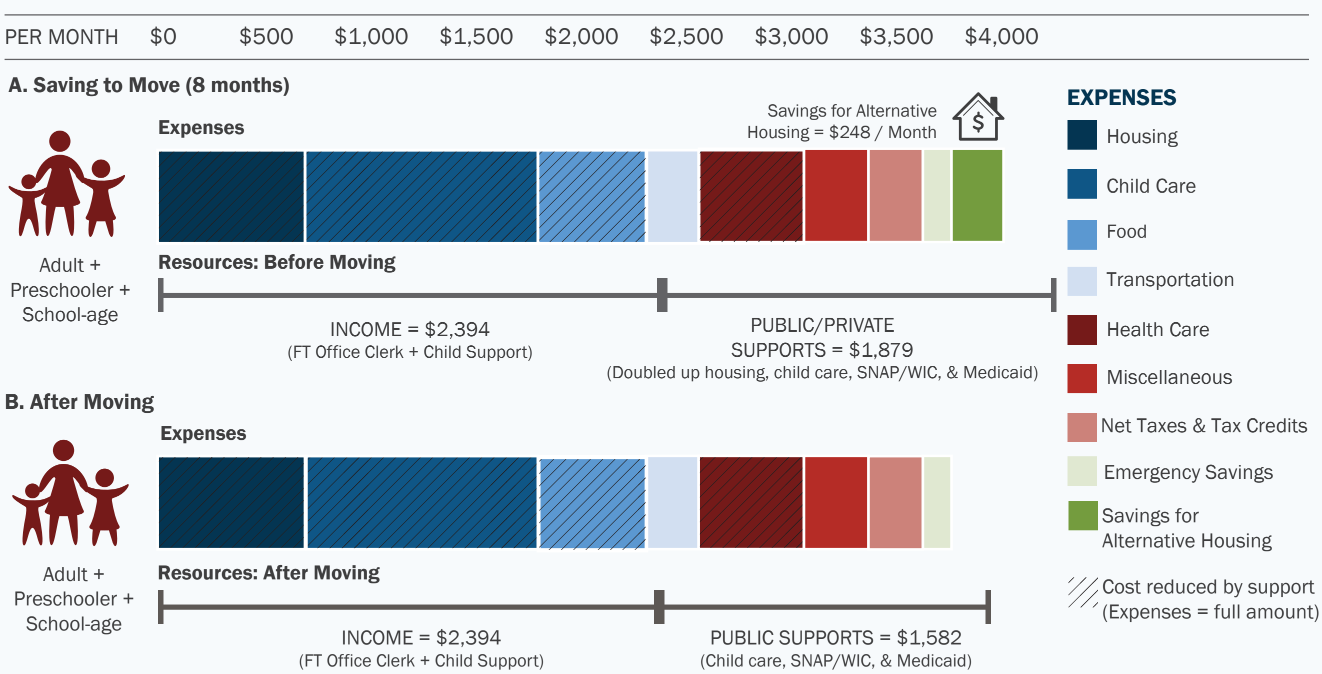
SCENARIO

MEETING THE COST OF ALTERNATIVE HOUSING

The Miller family includes a mother with two young children (one preschooler and one school-age child) living in Madison County. Ms. Miller works as an office clerk and earns $2,166 per month, the median earnings of office clerks in Indiana. She also receives a monthly child support payment of $229 per month (see **Figure C**). If her children were older, this income would be adequate, but with the higher child care costs of younger children her wages are a few hundred dollars short of her Self-Sufficiency Standard ($3,845 per month). However, she is able to meet her family's needs with the additional help of her parents, with whom she lives and who share the cost of housing. Additionally, at her income level she is eligible for child care assistance, SNAP/WIC, and Medicaid. By getting support with housing, child care, food, and health insurance, Ms. Miller earns enough to meet her basic needs, build her emergency savings fund, and has a surplus of $495 per month. She has decided that she needs to secure alternative rental housing.

To live independently and move into her own apartment, she will need to save $694 for a security deposit, another $694 for first month's rent, and $500 for moving costs, for a total of $1,888, to secure a two-bedroom apartment in Madison County (see **Table 5**). If she saves half of her monthly surplus ($248 per month), in eight months she will save enough to move into her own apartment. With the continued aid of child care, food, and health care assistance, her monthly earnings are enough to cover the full cost of a two-bedroom rental but she will have a smaller surplus per month. This scenario requires the continued child care, food, and health care assistance plus child support in order to afford the increased housing costs on her current salary.

Figure C. Public and private supports close the gap between wages and expenses to allow a working single mother to secure alternative housing
Expenses and resources shown per month for Madison County, IN 2016



RESOURCE ASSUMPTIONS: Income is based on assumption that Ms. Miller earns the median wage of a full time Office Clerk (which is $2,166 per month in Indiana), and receives the average child support award ($229 per month). Public and private supports include living with her parents, child care assistance, SNAP/WIC, and Medicaid. EXPENSE ASSUMPTION: Living expenses are based on costs in the Self-Sufficiency Standard. The 2016 Standard for one adult, one preschooler, and one school-age child living in Madison County is $3,845 per month ($21.85 per hour).

HOMEOWNERSHIP

Owning a home has been considered part of the "American dream," and an investment that can provide long-term security. Homeownership may also provide more economic certainty, particularly if families are able to secure long-term fixed rate mortgages, thus avoiding rent increases.

Homeownership is an important long-term security pathway for many families, but the upfront costs can be quite high. Indeed, the single most expensive "big ticket" item for most families is the purchase of a home. At the same time, depending on the local housing market, it may also cost less to own than rent, especially when the homeowner's mortgage interest tax deduction is taken into account.

The costs of becoming a first-time homeowner are calculated for "starter" homes, those at the 25th percentile. Costs for purchasing a starter home include: down payment, closing costs, and moving costs. The ability to afford the ongoing costs of homeownership, including the mortgage payment, insurance, taxes, utilities, repairs and upkeep, will vary depending on household income.

The most important determinant of the cost of becoming a homeowner is the price of the house, as both down payment and closing costs vary by the price of the home. There is considerable variation in home values between Indiana counties, from a low of $44,100 in Blackford County to a high value of $153,100 in Hamilton County (see **Table 6**).

As noted above, the amount of down payment is calculated as a percentage of the sales price. Unless you qualify for a VHA or FHA loan or other special program, normally at least 10% is required, and more typically, 20%. With the average price of a starter home in Indiana of $76,604, the average down payment would be $7,660 (10%) or $15,321 (20%). However, there is much variation in the down payment amounts, reflecting house price variation across counties. Likewise, closing costs also vary across counties, reflecting variation in the house price.[1]

Altogether, the costs of purchasing a starter home, including down payment, closing costs, and moving costs, can vary substantially by county, as shown in **Table 6**. For example, purchasing a home in Blackford County, where houses are the least expensive in the state, with the lower down payment of 10%, would cost a family about $5,525. Purchasing a starter home in Hamilton County, the county with the highest cost housing, would be about $17,326 with a 10% down payment and over $30,000 with a 20% down payment.

Note that lower down payments typically result in higher interest rates and/or other increased costs, such as mortgage insurance (PMI), that increases the monthly mortgage payment.[2] For example, with a 20% down payment, a 30 year loan with a 4% interest rate will result in a mortgage payment of roughly $430 per month for the average price starter home in Indiana ($76,604). However, the mortgage payment will increase to about $515 per month if just a 10% down payment is made, reflecting the larger loan amount.[3] Note that these mortgage payment totals include taxes and home insurance plus PMI with the 10% down payment, but not repairs or utilities.

1 Note the costs of initial homeownership do not include any monthly mortgage payments. Closing costs are assumed to be .919% of the loan amount (the average in Indiana for a $200,000 loan).
2 Typically on a conventional loan, if the down payment is less than 20 percent of the value of the home, lenders will require the buyer to carry mortgage insurance, typically an additional $30-70 per month for every $100,000 borrowed. For more information see http://www.zillow.com/mortgage-rates/buying-a-home/mortgage-insurance-and-pmi/.
3 Zillow, "Mortgage Calculator," http://www.zillow.com/mortgage-calculator/.

Table 6. Estimated Savings Required to Purchase a Starter Home, IN 2016
Percentage of Down Payment

COUNTY	STARTER HOME VALUE (25th Percentile)	Total Savings Needed (Includes Down Payment, Closing Costs, & Moving Costs)		COUNTY	STARTER HOME VALUE (25th Percentile)	Total Savings Needed (Includes Down Payment, Closing Costs, & Moving Costs)	
		10% Down	20% Down			10% Down	20% Down
Adams	$80,800	$9,498	$17,504	Lawrence	$69,000	$8,220	$15,057
Allen	$79,200	$9,325	$17,172	Madison	$63,400	$7,614	$13,896
Bartholomew	$92,500	$10,765	$19,930	Marion	$82,700	$9,704	$17,898
Benton	$59,300	$7,170	$13,046	Marshall	$83,900	$9,834	$18,146
Blackford	$44,100	$5,525	$9,894	Martin	$55,700	$6,780	$12,299
Boone	$115,300	$13,233	$24,657	Miami	$50,400	$6,207	$11,200
Brown	$111,200	$12,789	$23,807	Monroe	$105,700	$12,194	$22,667
Carroll	$70,100	$8,339	$15,285	Montgomery	$76,500	$9,032	$16,612
Cass	$56,200	$6,835	$12,403	Morgan	$95,700	$11,111	$20,593
Clark	$91,900	$10,700	$19,805	Newton	$77,000	$9,087	$16,716
Clay	$63,900	$7,668	$14,000	Noble	$76,900	$9,076	$16,695
Clinton	$71,200	$8,459	$15,513	Ohio	$87,800	$10,256	$18,955
Crawford	$48,900	$6,044	$10,889	Orange	$56,000	$6,813	$12,361
Daviess	$65,400	$7,831	$14,311	Owen	$64,300	$7,712	$14,082
Dearborn	$114,300	$13,125	$24,450	Parke	$55,300	$6,737	$12,216
Decatur	$78,600	$9,260	$17,048	Perry	$67,600	$8,069	$14,767
DeKalb	$73,800	$8,740	$16,052	Pike	$52,300	$6,412	$11,594
Delaware	$58,900	$7,127	$12,963	Porter	$117,800	$13,504	$25,176
Dubois	$88,500	$10,332	$19,100	Posey	$83,400	$9,779	$18,043
Elkhart	$85,500	$10,007	$18,478	Pulaski	$64,700	$7,755	$14,165
Fayette	$53,800	$6,575	$11,905	Putnam	$85,500	$10,007	$18,478
Floyd	$99,700	$11,544	$21,423	Randolph	$51,400	$6,315	$11,408
Fountain	$63,300	$7,603	$13,875	Ripley	$87,300	$10,202	$18,851
Franklin	$95,300	$11,068	$20,510	Rush	$72,400	$8,588	$15,762
Fulton	$60,800	$7,333	$13,357	Scott	$76,600	$9,043	$16,633
Gibson	$71,300	$8,469	$15,534	Shelby	$69,000	$8,220	$15,057
Grant	$54,600	$6,661	$12,071	Spencer	$83,200	$9,758	$18,001
Greene	$54,500	$6,651	$12,050	St. Joseph	$74,700	$8,838	$16,239
Hamilton	$153,100	$17,326	$32,495	Starke	$71,400	$8,480	$15,555
Hancock	$110,100	$12,670	$23,579	Steuben	$78,900	$9,292	$17,110
Harrison	$79,700	$9,379	$17,276	Sullivan	$53,400	$6,531	$11,822
Hendricks	$122,600	$14,023	$26,171	Switzerland	$78,900	$9,292	$17,110
Henry	$62,500	$7,517	$13,709	Tippecanoe	$93,600	$10,884	$20,158
Howard	$66,300	$7,928	$14,497	Tipton	$79,100	$9,314	$17,151
Huntington	$65,100	$7,798	$14,248	Union	$71,600	$8,502	$15,596
Jackson	$78,700	$9,271	$17,068	Vanderburgh	$76,200	$9,000	$16,550
Jasper	$100,000	$11,577	$21,485	Vermillion	$50,000	$6,163	$11,117
Jay	$51,200	$6,293	$11,366	Vigo	$59,600	$7,203	$13,108
Jefferson	$75,800	$8,957	$16,467	Wabash	$65,200	$7,809	$14,269
Jennings	$60,500	$7,300	$13,295	Warren	$68,800	$8,199	$15,016
Johnson	$103,400	$11,945	$22,190	Warrick	$99,700	$11,544	$21,423
Knox	$55,000	$6,705	$12,154	Washington	$70,700	$8,404	$15,410
Kosciusko	$85,700	$10,028	$18,520	Wayne	$65,200	$7,809	$14,269
LaGrange	$97,300	$11,284	$20,925	Wells	$78,800	$9,281	$17,089
Lake	$86,100	$10,072	$18,603	White	$76,700	$9,054	$16,654
LaPorte	$83,600	$9,801	$18,084	Whitley	$84,000	$9,844	$18,167

SCENARIO

MEETING THE COST OF HOMEOWNERSHIP

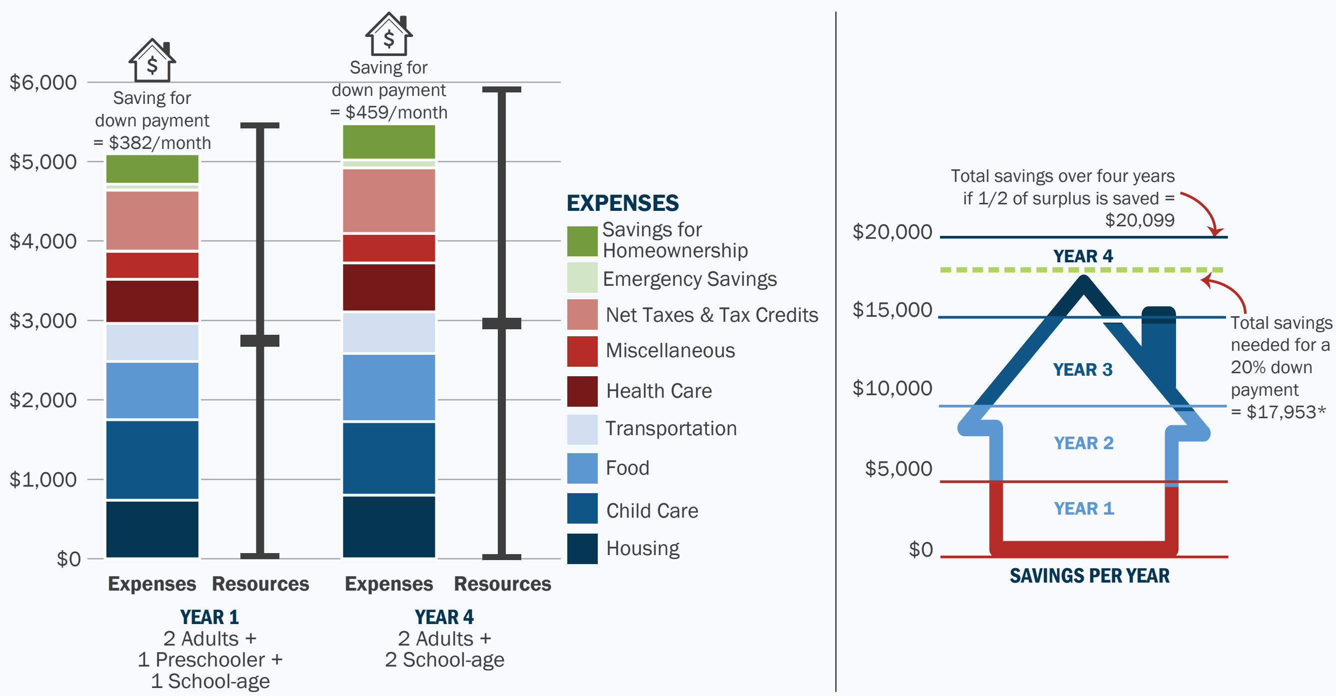
This scenario, shown in **Figure D**, models Mr. and Mrs. Baker who live in Vanderburgh County with their preschooler and school-age child. Mr. and Mrs. Baker both are full-time workers earning the median salary of Indiana workers.

The Bakers hope to find a starter home for around $76,200 (the 25th percentile of home values in Vanderburgh County). To become homeowners, the Bakers would need to save for a 20% down payment, closing costs, and moving costs, for a total of $16,550 before inflation (see **Table 6**).

If they save half of their surplus earnings each month, they would save about $4,500 per year. After four years they will have saved enough to cover a 20% down payment, closing costs, and moving costs of a starter home in Vanderburgh County.

However, note that this scenario, unlike the alternative housing scenario described previously, does not calculate whether the family is able to afford the *ongoing* costs of homeownership, including the mortgage payment, insurance, taxes, utilities, repairs and upkeep, which may total more or less than their current (rental) housing costs.

Figure D. Saving monthly for the goal of homeownership pays off over time.
Expenses and resources shown per month: Vanderburgh County, IN 2016



RESOURCE ASSUMPTIONS: Total monthly income in year one is $5,468 and $5,932 in year four. Income is based on the median wage of all workers in Indiana ($15.53 per hour, per adult).
EXPENSE ASSUMPTIONS: Living expenses are based on costs in the Self-Sufficiency Standard. The 2016 Standard for two adults, one preschooler, and one school-age child living in Vanderburgh County is $4,321 per month ($12.28 per hour, per adult).
INFLATION ASSUMPTIONS: Expenses change with each year to reflect children aging plus resources and expenses increasing with inflation. For illustration purposes, it is expected that expenses, wages, and down payment goal will increase at the same rate with each year modeled.
* Down payment goal for a starter home in Vanderburgh County is $16,550 before inflation but estimated to be $17,953 with inflation.

ECONOMIC SECURITY PATHWAY #3
SAVING FOR RETIREMENT

Although the benefits of saving for retirement can seem far-off, particularly for younger families, retirement savings are an important priority for long-term economic security.[1] Data suggests that even now Social Security does not provide adequate income for most individuals during retirement, and is likely to be even less adequate in the future. Social Security is the largest single source of income for both men and women over 65 today, more than earnings, pensions, and assets combined. Yet more than a third of elders find themselves in "near poverty," that is, with income less than 200% of the official poverty level.[2]

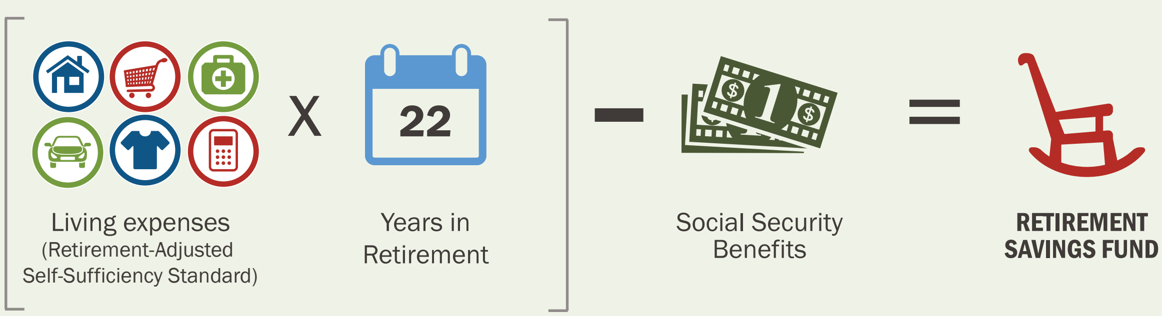
In addition, although Medicare was originally intended to meet elders' medical needs once they were no longer covered by employer-provided health benefits, Medicare no longer does so. In fact, elders even with Medicare are spending an increasingly higher proportion of their income on health care costs, often as much if not more than before Medicare.[3] Indeed, recent research using the Supplemental Poverty Measure, which takes into account the impact of "necessary expenditures," (which includes health care) finds that health expenditures push many elderly below the poverty level, substantially increasing the proportion of the elderly deemed "poor" by this alternative version of the federal poverty measure.[4] Given the limitations of Social Security, and rising health care costs not covered by Medicare, saving for retirement is crucial for achieving economic security beyond the working years.

Once a family or individual is able to meet their basic needs, the sooner they are able to begin saving for retirement, the better, as early savings will compound much more than later savings. Because the amount that must be saved monthly varies substantially depending upon the age at which retirement savings begins, calculations for the Retirement Economic Security Pathway are presented for three different ages at which savings for retirement are begun: 25, 40, and 55 years, for one- and two-adult households.

To determine how much savings are required in retirement, two calculations are made:

1 The U.S. Department of Labor has many publications on the importance of saving for retirement through the Retirement Savings Education Campaign. See http://www.dol.gov/ebsa/pdf/savingsfitness.pdf or http://www.dol.gov/ebsa/pdf/NewEntrants.pdf.
2 Philip Issa and Sheila R. Zedlewski, Urban Institute, "Poverty among Older Americans, 2009," http://www.urban.org/sites/default/files/alfresco/publication-pdfs/412296-Poverty-Among-Older-Americans-.PDF (accessed April 21, 2015).
3 Patricia Neuman, Juliette Cubanski, Katherine A. Desmond, & Thomas H. Rice "How Much 'Skin In The Game' Do Medicare Beneficiaries Have? The Increasing Financial Burden of Health Care Spending, 1997–2003," Health Affairs, 26, no 9, (2007):1692-1701 doi:10.1377/hlthaff.26.6.1692.
4 U.S. Census Bureau, Kathleen Short, "The Research Supplemental Poverty Measure: 2010," Current Population Reports, November 2011, http://www.census.gov/prod/2011pubs/p60-241.pdf (accessed February 20, 2013).

HOW IS THE RETIREMENT SAVINGS FUND CALCULATED?



- the amount needed to meet basic needs, using the Retirement-Adjusted Self-Sufficiency Standard for one- and two-adult elderly households; and,
- the expected Social Security benefits to be received.

The gap between the amount of expected expenses in retirement and the amount of expected income from Social Security is the total amount that must be saved. Of course, the earlier savings begin, the more months there are to save, plus the more time there is for savings to grow, so the amount to be saved per month depends very much on when savings begin.

STEP 1. CALCULATE EXPENSES IN RETIREMENT

The total expenses needed in retirement are calculated based on *The Self-Sufficiency Standard for Indiana 2016* for one and two adults, by county. The Standard is modified for the cost of living in retirement by making several adjustments:

- All income is assumed to be unearned (so no payroll taxes), and with the larger deduction for those over 65, generally very little federal and no state income tax is owed.
- Health care costs are adjusted to account for higher health care expenses in retirement (net of Medicare).[5]
- Food costs are adjusted for retirement age.
- Transportation costs assume only one car per household and are based on the average daily miles driven by adults 66-88 years old.
- Housing costs assume the expenses of renting as in the Standard.

5 Health care costs in the RA Standard assume Original Medicare with Part D (Prescription Drug Coverage) plus Medigap (supplemental insurance) and out-of-pocket costs. Original Medicare consists of Part A (hospital insurance) and Part B (medical insurance) and has a universal premium per participant. Medigap is based on the cost of AARPs Plan F premium. Part D assumes the cost of the Humana Walmart Rx Plan. Out-of-pocket costs are calculated from the U.S. Department of Health and Human Services, Agency for Healthcare Research and Quality.

ONCE A FAMILY OR INDIVIDUAL IS ABLE TO MEET THEIR BASIC NEEDS, THE SOONER THEY ARE ABLE TO BEGIN SAVING FOR RETIREMENT, THE BETTER

The resulting Retirement-Adjusted (RA) Self-Sufficiency Standard averages just about $13 more per month than the Self-Sufficiency Standard but it varies depending on county. For example, the monthly Standard for one adult in Orange County is $1,467 but after adjusting for retirement it increases to $1,516. In Tippecanoe County, the Standard per month is $1,759 and decreases to $1,727 when adjusted for retirement (see **Table 7**).

The initial RA Standard is updated for inflation based on the retirement year of the three sample ages when savings begin. It is assumed that the 25, 40, and 55 year olds will all begin retirement at the age of 67 (when full Social Security benefits begin). The cost of living based on the RA Self-Sufficiency Standard is assumed to have a 3% annual inflation rate during retirement.[6] The length of the retirement period is based on the life expectancy at retirement age, varying by gender and current age, and ranges from about 20 to 22 years.[7]

The RA Standard is inflated annually and aggregated to obtain the total expenses expected over the course of the retirement years, shown as "Total Expenses over Retirement" in **Table 7.** Because of expected inflation, the younger one is and therefore the longer the time until retirement begins, the greater the initial RA Standard (at age 67), and therefore the greater the total needed to cover living expenses in retirement. For example, in Orange County, the total needed to cover expenses during retirement for one adult who was 25 in 2016 and plans to retire at age 67 is $810,000, but is

6 The annual inflation rate of 3% is a typical assumption made by retirement calculators (for example, see Vanguard and T.RowePrice).
7 Estimates for one adult assume life expectancy for females and ranges from 20.6 years for the 55 year old to 22.1 years for the 25 year old. For two adults, life expectancy is the average of female and male ranging from 19.6 years for the 55 year old to 21.2 for the 25 year old.

Table 7. The Retirement-Adjusted (RA) Self-Sufficiency Standard, Social Security Benefit, and Needed Retirement Savings, *Orange County and Tippecanoe County, IN 2016*
By Age at Which Savings Begin for 1 and 2 Adults

	ORANGE COUNTY (LOW COST)		TIPPECANOE COUNTY (HIGH COST)	
	1 Adult	2 Adults	1 Adult	2 Adults
Monthly Expenses: Retirement-Adjusted (RA) Self-Sufficiency Standard (Current Dollars)	$1,516	$2,251	$1,727	$2,481
Monthly Social Security Benefit (Current Dollars)	$948	$1,896	$1,041	$2,082
RETIREMENT SAVINGS CALCULATION STARTING TO SAVE AT AGE 25				
Total Expenses Over Retirement	$810,000	$1,170,000	$920,000	$1,290,000
Total Social Security Benefit Over Retirement	$450,000	$870,000	$490,000	$960,000
Total Net Savings Required at Retirement (Expenses less Social Security benefits)	$360,000	$300,000	$430,000	$330,000
Amount Needed to Save Monthly	$170	$141	$203	$157
RETIREMENT SAVINGS CALCULATION STARTING TO SAVE AT AGE 40				
Total Expenses Over Retirement	$510,000	$740,000	$580,000	$810,000
Total Social Security Benefit Over Retirement	$290,000	$570,000	$320,000	$630,000
Total Net Savings Required at Retirement (Expenses less Social Security benefits)	$210,000	$160,000	$260,000	$180,000
Amount Needed to Save Monthly	$281	$214	$336	$238
RETIREMENT SAVINGS CALCULATION STARTING TO SAVE AT AGE 55				
Total Expenses Over Retirement	$320,000	$460,000	$370,000	$510,000
Total Social Security Benefit Over Retirement	$190,000	$380,000	$210,000	$410,000
Total Net Savings Required at Retirement (Expenses less Social Security benefits)	$130,000	$90,000	$150,000	$100,000
Amount Needed to Save Monthly	$630	$429	$757	$480

Totals are rounded to the nearest thousand.

EMPLOYER-SPONSORED RETIREMENT PLANS

Funds from retirement plans or pensions are not included in these calculations for several reasons. While 66% of private industry workers have access to a retirement plan through their employer, only 49% of workers participate in a retirement plan.[1] In addition, for current retirees, the proportion of income received from retirement plans is quite small, averaging just 14%.[2] While this is not negligible, it is also true that this average reflects a very uneven distribution of private pension benefits. On average, the highest quintile receives 20% of their income from pensions, while the lowest quintile receives only 2% of their income from pensions.[3] Finally, unlike Social Security where the benefit is known and anticipated, in terms of calculations, the amount that can be anticipated from retirement plan participation is highly variable over time and across individual workers. Benefit amounts vary considerably between employers as well as by factors such as years of service, income levels, employer contribution, plan type, and so forth. Given this variability, and the relatively small amounts for most workers, it is not possible to reasonably estimate an average amount of income to be expected in retirement from pension plans.

1 U.S. Department of Labor, Bureau of Labor Statistics, Employee Benefits Survey, "Table 1. Retirement benefits: Access, participation, and take-up rates, civilian workers, National Compensation Survey, March 2015," http://www.bls.gov/news.release/pdf/ebs2.pdf (accessed September 30, 2015).
2 Peter Brady and Michael Bogdan, 2013, "A Look at Private-Sector Retirement Plan Income after ERISA in 2012," Investment Company Institute http://www.ici.org/info/per19-08_data.xls (accessed April 16, 2016).
3 Ibid.

SOCIAL SECURITY BENEFITS PROVIDE THE LARGEST SOURCE OF INCOME FOR BOTH MEN AND WOMEN 65 AND OLDER.

$510,000 if the adult is 40 now, and $320,000 if the adult is 55 now. In more expensive places, the numbers are even higher. For example, in Tippecanoe County the amount needed for expenses over retirement is about $920,000 for one adult who is 25, $580,000 if they are 40, and $370,000 if they are 55. However, as described below, the older one is when savings begin, the less time to save, and accumulate savings, so that the monthly savings goal is much higher for those who start saving later.

Two-adult households need about 150% more than single adults to cover their total expenses in retirement. That is, while some expenses double, such as food, others such as housing are the same for one and two adult households. For example, for two adults age 25 now, the total amount of expenses expected over retirement is nearly $1.17 million in Orange County which is 144% of the single adult's expenses ($810,000), and about $1.29 million in Tippecanoe County, which is 140% of the single adult's expenses in that county (see **Table 7**).

STEP 2. CALCULATE SOCIAL SECURITY INCOME

Social Security benefits provide the largest source of income for both men and women 65 and older.[8] The total Social Security benefit amount in retirement is calculated for the same amount of time as costs (about 21 years). The Social Security benefit is estimated using a Social Security Administration calculator with earnings based on the Self-Sufficiency Standard for one adult in each Indiana county, assumes 42 years of employment, and includes Social Security Administration estimates of Cost of Living (COLA) increases. For example, the monthly Social Security benefit is estimated to be $948 in Orange County and $1,041 in Tippecanoe County (in current dollars).

- The total Social Security benefit over retirement for a 25-year-old worker is estimated at $450,000 in Orange County and $490,000 in Tippecanoe County.
- The total Social Security benefit over retirement for a 40-year-old worker is estimated at $290,000 in Orange County and $320,000 in Tippecanoe County.
- The total Social Security benefit over retirement for a 55-year-old worker is estimated at $190,000 in Orange County and $210,000 in Tippecanoe County.

For a two-adult retired household, assuming both adults were workers, the income from Social Security benefits is double these amounts.

STEP 3. CALCULATE SAVINGS NEEDED FOR RETIREMENT

The total amount needed to save for retirement is the difference between total estimated expenses (based on the RA Self-Sufficiency Standard) and the total expected benefits from Social Security. This amount is adjusted, based on the assumption of a conservative rate of return on savings before and after retirement of 6% annually,[9] and the number of years between current age (25, 40, or 55 years, when savings begin) and retirement to get the amount of Net Savings at Retirement required. To save this total, the monthly amount of savings required to close the gap between expenses (the RA Standard) and income (Social Security) is calculated for each age, for one and two adult households, and for each county in Indiana.

In Orange County, a 25-year-old adult needs a net savings of $360,000 at retirement and must start saving $170 per month to reach that goal. In Tippecanoe County, the 25-year-old adult will need

8 Social Security Administration, "Fast Fact and Figures About Social Security, 2013," SSA Publication No. 13-11785, http://www.ssa.gov/policy/docs/chartbooks/fast_facts/2013/fast_facts13.pdf (accessed May 20, 2015).

9 Retirement savings plan calculators tend to use higher estimated rates of return, in the 8% to 9% range. However, to be more conservative considering rate of return volatility our calculations use 6%.

Table 8. Estimated Monthly Retirement Savings, IN 2016
By Age at Which Savings Begin, and County, for One and Two Adults

COUNTY	25 YEARS OLD		40 YEARS OLD		55 YEARS OLD	
	1 Adult	2 Adults	1 Adult	2 Adults	1 Adult	2 Adults
Adams	$169	$144	$278	$218	$622	$439
Allen	$183	$150	$302	$228	$678	$460
Bartholomew	$199	$153	$330	$232	$743	$466
Benton	$194	$151	$320	$229	$721	$459
Blackford	$170	$139	$280	$210	$627	$419
Boone	$198	$153	$327	$232	$736	$466
Brown	$210	$156	$348	$235	$784	$470
Carroll	$172	$149	$283	$226	$634	$456
Cass	$171	$132	$282	$198	$632	$391
Clark	$203	$158	$337	$240	$761	$486
Clay	$177	$132	$292	$197	$657	$389
Clinton	$176	$133	$290	$199	$652	$394
Crawford	$172	$150	$284	$229	$637	$465
Daviess	$168	$148	$277	$225	$620	$454
Dearborn	$187	$138	$308	$206	$692	$405
Decatur	$185	$140	$306	$210	$690	$418
DeKalb	$172	$147	$284	$222	$636	$447
Delaware	$190	$149	$315	$225	$709	$451
Dubois	$169	$150	$279	$229	$624	$463
Elkhart	$187	$143	$309	$216	$696	$431
Fayette	$168	$139	$277	$210	$620	$419
Floyd	$200	$160	$331	$244	$746	$495
Fountain	$181	$148	$299	$225	$673	$452
Franklin	$165	$139	$271	$209	$605	$414
Fulton	$170	$144	$279	$218	$626	$439
Gibson	$176	$152	$290	$232	$652	$469
Grant	$170	$136	$279	$204	$626	$406
Greene	$172	$147	$283	$224	$634	$452
Hamilton	$217	$176	$359	$268	$808	$543
Hancock	$202	$152	$334	$229	$752	$456
Harrison	$197	$160	$326	$244	$736	$497
Hendricks	$212	$160	$352	$242	$793	$485
Henry	$171	$135	$282	$203	$632	$404
Howard	$173	$141	$285	$212	$640	$425
Huntington	$173	$136	$285	$205	$639	$409
Jackson	$181	$137	$299	$206	$673	$410
Jasper	$179	$149	$296	$226	$663	$453
Jay	$169	$139	$278	$209	$622	$417
Jefferson	$186	$147	$308	$223	$695	$451
Jennings	$177	$145	$292	$220	$654	$441
Johnson	$203	$157	$336	$238	$756	$477
Knox	$171	$150	$281	$229	$630	$465
Kosciusko	$179	$143	$296	$216	$666	$432
LaGrange	$177	$151	$292	$230	$655	$465
Lake	$207	$154	$343	$233	$774	$466
LaPorte	$185	$145	$305	$220	$686	$440

Table 8. Estimated Monthly Retirement Savings, IN 2016
By Age at Which Savings Begin, and County, for One and Two Adults

COUNTY	25 YEARS OLD		40 YEARS OLD		55 YEARS OLD	
	1 Adult	2 Adults	1 Adult	2 Adults	1 Adult	2 Adults
Lawrence	$174	$134	$286	$202	$643	$401
Madison	$176	$142	$290	$215	$651	$429
Marion	$195	$151	$322	$228	$726	$455
Marshall	$177	$138	$292	$207	$656	$413
Martin	$174	$144	$286	$218	$643	$437
Miami	$184	$136	$305	$204	$685	$403
Monroe	$207	$165	$342	$250	$771	$505
Montgomery	$174	$146	$287	$221	$644	$444
Morgan	$190	$151	$314	$228	$705	$455
Newton	$195	$152	$322	$231	$726	$464
Noble	$177	$148	$292	$224	$655	$451
Ohio	$181	$145	$299	$217	$669	$430
Orange	$170	$141	$281	$214	$630	$429
Owen	$185	$158	$306	$240	$686	$486
Parke	$173	$138	$284	$208	$638	$413
Perry	$169	$145	$279	$220	$625	$444
Pike	$170	$148	$280	$226	$628	$458
Porter	$216	$166	$358	$252	$807	$508
Posey	$168	$151	$277	$231	$619	$467
Pulaski	$169	$134	$278	$201	$623	$398
Putnam	$179	$138	$296	$207	$666	$413
Randolph	$178	$131	$295	$196	$662	$387
Ripley	$169	$150	$278	$228	$621	$460
Rush	$170	$140	$280	$212	$628	$424
Scott	$185	$156	$306	$238	$687	$482
Shelby	$186	$142	$308	$214	$693	$425
Spencer	$169	$151	$278	$230	$623	$468
St. Joseph	$193	$151	$320	$228	$720	$457
Starke	$171	$151	$282	$230	$631	$465
Steuben	$179	$141	$296	$212	$666	$424
Sullivan	$187	$158	$309	$242	$696	$491
Switzerland	$183	$148	$302	$225	$679	$452
Tippecanoe	$203	$157	$336	$238	$757	$480
Tipton	$178	$151	$293	$230	$658	$463
Union	$180	$149	$297	$226	$666	$454
Vanderburgh	$186	$151	$307	$228	$690	$460
Vermillion	$166	$138	$273	$209	$612	$419
Vigo	$179	$144	$295	$218	$662	$437
Wabash	$168	$141	$276	$214	$617	$428
Warren	$175	$144	$288	$218	$646	$438
Warrick	$191	$162	$316	$248	$710	$503
Washington	$174	$160	$286	$245	$640	$501
Wayne	$173	$139	$285	$209	$640	$417
Wells	$168	$142	$277	$214	$620	$429
White	$180	$148	$297	$224	$668	$451
Whitley	$179	$140	$296	$211	$667	$422

a net savings of $490,000 at retirement and must start saving $203 per month to reach that goal.

Table 8 provides estimates of the amount one would need to save on a monthly basis to meet total expenses in retirement years, net of Social Security benefits, by county, by age at which savings begin, and for one- and two-adult households. In addition, the scenario and **Figure E** present an example for one adult of what it would take to save for retirement, depending on when the savings begin.

The table and scenario presume that once started, the savings would continue at the same level monthly until retirement. However, some savings in the early years is better than no savings at all. With this in mind, as an example, the following calculations were made that anticipated less saving at the beginning, and more towards the end of the employment period.

THE MORE ONE SAVES AT EARLY AGES, THE EASIER IT IS TO ACHIEVE ONE'S RETIREMENT GOAL.

1. The average retirement savings need for one adult in Indiana is $181 per month if starting to save for retirement when 25 years old. If an adult saved only half this amount, about $90 per month, until she was 40 years old, she would have saved about $26,000 with compounded interest. If she then began saving the full amount she needs for retirement, she will need to save $265 a month. If she had not saved anything, and started at zero at age 40, she would have to start saving $299 per month at that point.

2. If she only increases her savings at age 40 to $181 per month, doubling what she had been saving since age 25, she will fall short of her savings goal, so that at age 55, she would have to begin saving $739 per month to reach her savings goal by her retirement age of 67.

These numbers reinforce that the more one saves at early ages, the easier it is to achieve one's retirement goal. Note that these calculations do not take into account any additional income, such as pension payments from an employer-sponsored plan, or higher Social Security payments reflecting wages higher than the Standard. At the same time, these savings assume expenses at the Self-Sufficiency Standard level, adjusted for retirement, but nevertheless a "bare bones" budget.

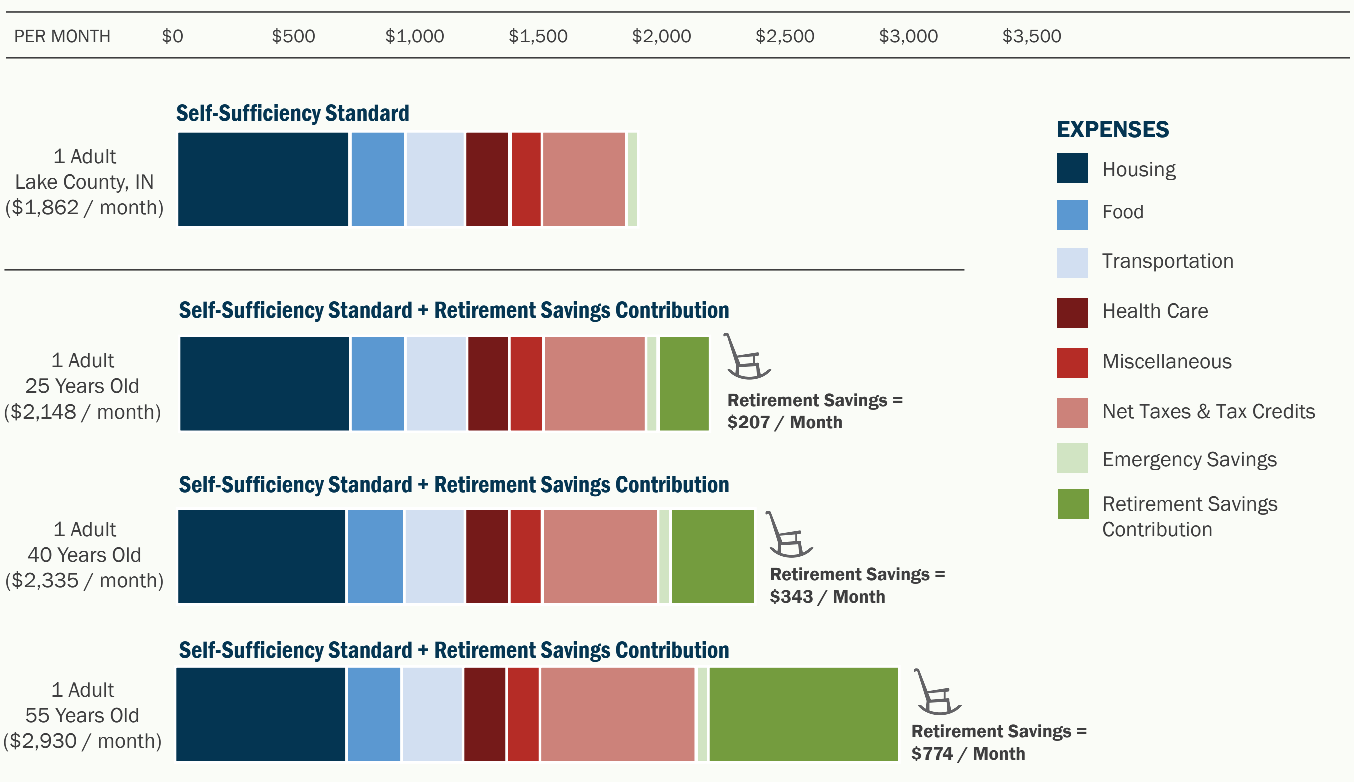
SCENARIO

MEETING THE COST OF RETIREMENT

The following model illustrates how much additional income is needed to meet net retirement needs, based on the different retirement contribution amounts by age for a single adult in Lake County. The Self-Sufficiency Standard for a single adult, Susan Smith, living in Lake County is $1,862 per month including an emergency savings contribution (see the first bar of **Figure E**). If Ms. Smith is 25 years old and has decided to start saving the suggested minimum of $207 per month, the amount she needs to earn to maintain her basic needs AND save for retirement increases to $2,148 per month. However, if Ms. Smith is 40 years old and just starting to save for retirement she would need to earn $2,335 per month to both meet her basic needs AND save for retirement. Note that, as the amount she needs to earn increases with the higher retirement contribution, her taxes also increase. Finally, if Ms. Smith has not saved anything for retirement, and is 55 years old, she needs to earn $2,930 per month to meet her basic needs AND save for a retirement, almost four times as much as if she started saving at age 25 ($774 vs. $207).

Figure E. Minimum necessary to meet basic needs AND save for retirement increases with the starting age of saving for retirement

Expenses shown per month for Lake County, IN 2016



EXPENSE ASSUMPTIONS: Living expenses are based on costs in the Self-Sufficiency Standard. The 2016 Standard for one adult living in Lake County is $1,792 month ($10.18 per hour) plus $50 emergency savings. Hourly wage assumes full-time, year-round employment.

Three conclusions can be drawn from the calculations shown in **Table 7** and **Table 8** and the scenario in **Figure E**.

1. **NUMBER OF ADULTS:** While it is not quite true that "two can live as cheaply as one," when it comes to retirement savings, two adult households do have two advantages. First, living costs are not double, but rather about 50% more for two adults compared to one adult, depending on the county. Second, there will be two Social Security payments to offset expenses, on the presumption that both adults will be workers. Thus the cost of retirement savings per individual is less per adult than a single adult needs to save for retirement. For example, a 40-year-old single adult in Orange County needs to save $281 per month for retirement, while a 40-year-old couple in Orange County needs to save $214 per month or $107 per person.

2. **GEOGRAPHIC LOCATION:** Because the cost of living varies considerably, the amount needed to save for retirement varies considerably by place. However, unlike during working age, some retirees have some flexibility regarding location, so that while they may have earned more, and therefore earned higher benefits from living in a relatively expensive place, in retirement they can move to less expensive places to live. For example, the cost of housing in Tippecanoe County is about $200 more per month than the cost of housing in Orange County. Thus at retirement, retirees can reduce their cost of living by choosing less expensive places to live.

3. **AGE:** The data presented here demonstrate the tremendous advantages of starting to save for retirement at younger ages. The longer one waits to begin, the more one has to save, to play catch up, as well as the lost time for savings to accumulate with interest. For example, a 25-year-old single adult in Orange County needs to save $170 per month for retirement. If this single adult waits until she is 40 years old, she would have to save $281 per month and if she waited until she was 55 years old, she would need to save $630 per month. This increase occurs because even though the total savings required is less for the older start dates, there is less time for savings to earn interest and grow. That is, starting savings early both spreads out the savings over a longer time, so less per month, and allows for more time for savings to grow.

As noted above, the two-adult calculations assume both adults receive a Social Security benefit based on earnings at the one-adult Self-Sufficiency Standard level. However, if one adult does not work outside the home or has had partial workforce participation the adult is still eligible for a Social Security benefit equal to half of their spouse's benefit. The spouse with the lesser earnings is entitled to take whichever benefit is larger, their own as a worker, or as a spouse.[10]

10 Consistent with the Self-Sufficiency Standard assumption that all adults work, two-adult households are considered to be two retired workers with both adults receiving a Social Security benefit. Some women, even though they worked, may find that the 50% spousal benefit is more than the benefit to which they are entitled in their own right. However, with increased workforce participation and a decline in the wage gap, in the future it is expected that most women as well as men will receive their own benefit, rather than a spousal benefit. The SSA estimates that by 2025, about 8% of women will receive benefits only on their spouses earnings and only 6% will do so by 2040 (see Social Security Administration, Office of Retirement Planning, "Current Law Projections," http://www. socialsecurity.gov/retirementpolicy/projections/women-dual-2025-alt.html#chart1

CONCLUSION

This report used *The Self-Sufficiency Standard for Indiana 2016* calculations to explore the costs of various Economic Security Pathways householders may take to increase their economic security. Understanding more about the extra costs associated with saving for an Economic Security Pathway will help families chart realistic paths to achieve and maintain economic security over the long term.

As we look to the future, the trends impacting families striving to achieve economic security are mixed. On the one hand, the importance of building assets, particularly education and training, have been increasingly recognized as key to achieving economic security. This recognition is apparent in several areas:

- Relaxed restrictions on assets and savings for low-income program participants.[1] These include allowing benefit recipients to save towards education or housing security; in some cases these savings have been matched by state or private funds, such as IDA (Individual Development Account) programs.
- At the federal level, expanded health care coverage through the Affordable Care Act has increased economic security by decreasing the number of people experiencing or at risk of incurring uncovered health care costs.[2] For example, in Indiana the uninsured rate dropped from 14.8% in 2010 to 11.9% in 2014.[3] Such coverage prevents bankruptcy and impoverishment due to uncovered medical expenses, one of the largest sources of personal debts.
- Additionally, reforms included in the 2009 American Recovery and Reinvestment Act (ARRA) extended unemployment insurance to more workers in many states, partly by broadening eligibility for part-time workers and increasing the number of weeks of unemployment benefits for workers who need training to improve their job skills.[4]

At the same time, there has been a troubling counter trend that is reducing economic security for many American households. A primary source of this trend is the shifting of risk from corporations and government to individuals over the past several decades. For example, an increasing number of employers have cut or eliminated health insurance coverage, reduced or eliminated pensions, or structured jobs as temporary or contract work, limiting their contributions to employees' Social Security, unemployment insurance, and other benefits.[5] Other workers, such as those in the

1 See Aleta Sprague & Rachel Black, 2012, "State Asset Limit Reforms and Implications for Federal Policy," http://assets.newamerica.net/sites/newamerica.net/files/policydocs/SpragueBlackFinal10.31.12_0.pdf (accessed April 21, 2015).
2 U.S. Congress, House, 2010, "Compilation of Patient Protection and Affordable Care Act," HR 3590, 111th Congress, 2nd Session, http://housedocs.house.gov/energycommerce/ppacacon.pdf (accessed September 29, 2015).

3 U.S. Census Bureau, 2010 and 2014 American Community Survey 1-Year Estimates, "Table S2701: Health Insurance Coverage Status," Indiana, http://factfinder.census.gov (accessed December 1, 2015).
4 Reforms included in the 2009 American Recovery and Reinvestment Act provided funding to states to modernize their unemployment insurance programs. Fourteen states broadened eligibility for part-time workers, and 15 expanded benefits for workers participating in approved training programs. U.S. Congress, House, 2009, "American Recovery and Reinvestment Act of 2009," HR 1, 111th Congress, 1st Session, www.gpo.gov/fdsys/pkg/BILLS-111hr1enr/pdf/BILLS-111hr1enr.pdf (accessed September 29, 2015). National Employment Law Project, "Modernizing Unemployment Insurance: Federal Incentives Pave the Way for State Reforms," Briefing Paper, May 2012, http://nelp.3cdn.net/a77bc3b5988571ee4b_dfm6btygh.pdf (accessed September 29, 2015).
5 See Elise Gould, 2012, "A Decade of Declines in Employer-Sponsored Health Insurance Coverage," www.epi.org/publication/bp337-employer-sponsored-health-insurance/; and, U.S. Department of Treasury, 2010, "Statistical Trends in Retirement Plans," www.treasury.gov/tigta/auditreports/2010reports/201010097fr.pdf; and Tian Luo, Amar Mann, and Richard Holden, 2010, "The Expanding Role of Temporary Help Services from 1990 to 2008," www.bls.gov/opub/mlr/2010/08/

"sharing" economy, have virtually no access to benefits such as Social Security, unemployment insurance, workmen's compensation and disability coverage.

Furthermore, although home ownership opportunities for low-income households expanded prior to the Great Recession,[6] this trend was partially fueled by predatory lending and subprime mortgages, resulting in increased rates of default and foreclosures during the downturn.[7] As a result, homeownership rates have fallen from 67% in 2009 to 63% in 2015, and especially so for people of color, whose home ownership rates have fallen even more, from 46% to 43% for African Americans, and from 49% to 45% for Hispanics.[8] Tightening of underwriting standards was a prudent and necessary move, but this has increased the barriers faced by low-income households seeking the economic security of home ownership.[9]

In other areas as well, the Great Recession has led to cutbacks, particularly at the state and local level, in programs that support low-income working families, such as child care assistance, TANF benefits, after school programs, and others. Although some of these have been restored with the Recovery, many have not, or have only been partially reinstated and/or re-funded at previous levels.

art1full.pdf (accessed April 15, 2015).

6 Carlos Garriga, William T. Gavin, & Don Schlagenhauf, 2006, "Recent Trends in Homeownership," http://research.stlouisfed.org/publications/review/06/09/Garriga.pdf (accessed April 21, 2015).

7 Jeff Holt, 2009, "A Summary of the Primary Causes of the Housing Bubble and the Resulting Credit Crisis: A Non-Technical Paper," Journal of Business Inquiry, 8(1), 120-129, www.uvu.edu/woodbury/docs/summaryoftheprimarycauseofthe-housingbubble.pdf (accessed April 15, 2015).

8 Robert R. Callis and Melissa Cresin, 2015, "Residential Vacancies and Home Ownership in Second Quarter 2015," http://www.census.gov/housing/hvs/files/qtr215/currenthvspress.pdf (accessed September 2015, 2015).

9 Christopher E. Herbert, Eric S. Belsky, & William C. Apgar, 2012, "Critical Housing Finance Challenges for Policymakers," Joint Center for Housing Studies of Harvard University www.jchs.harvard.edu/sites/jchs.harvard.edu/files/w12-2_herbert_belsky_apgar.pdf (accessed April 22, 2015).

UNDERSTANDING MORE ABOUT THE EXTRA COSTS ASSOCIATED WITH SAVING FOR AN ECONOMIC SECURITY PATHWAY WILL HELP FAMILIES ACHIEVE AND MAINTAIN ECONOMIC SECURITY OVER THE LONG TERM.

As this brief summary suggests, achieving economic security is not only challenging, but is an effort that faces rapidly changing circumstances, reflecting economic cycles, changing business practices, increasing costs (such as health care for both workers and retirees), and changing public policies and priorities. Nevertheless, as demonstrated in this report, achieving economic security is possible and doable, although different for each individual and family. It is hoped that this report, through providing information and insight, will aid families in their efforts to access the information and resources that make getting on the road to economic security possible.

Looking to the future, from food stamps to Social Security and beyond, there are public policy proposals being put forward that would restrict access to or decrease benefits in a wide range of federal programs. Such proposals suggest that achieving economic security and even maintaining current programs will continue to be a challenge. This is not a challenge that individuals must face alone, but one where all stakeholders—employers, the government, and the community as well as individuals—can and will contribute towards achieving economic security for all.

TABLE 9. Methodology Assumptions and Data Sources for Economic Security Pathways, IN 2016

ASSUMPTIONS	DATA SOURCES
POSTSECONDARY EDUCATION	
Full time is defined as 30 credit hours annually; part time is 15 credits annually. The 2015-2016 rates are inflated to future years based on the average change in tuition and fees for public colleges in the Midwest over the previous 10 years.	**Tuition & Fees:** Ivy Tech Community College, "Tuition & Fees," http://www.ivytech.edu/tuition/ (accessed July 9, 2015). Vinccenes University, "Tuition and Fees Listing." http://catalog.vinu.edu/content.php?catoid=23&navoid=1952 (accessed July 9, 2015). **Books & Supplies:** College Board, Annual Survey of Colleges, "Average Student Expenses by College Board Region, 2014-15 (Enrollment-Weighted)," accessed January 20, 2015 from personal communication with College Board. **Tuition & Fees Inflation:** College Board, "Average Tuition and Fees and Room and Board by College Board Region, 1990-91 to 2014-15 (Enrollment-Weighted)," http://trends.collegeboard.org/sites/default/files/2014-trends-college-pricing-source-data-final.xlsx (accessed January 14, 2015). **Books & Supplies Inflation:** U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS), Spring 2010 through Spring 2013, Student Financial Aid component; and Fall 2009 through Fall 2012, Institutional Characteristics component, "Table 330.40. Average total cost of attendance for first-time, full-time undergraduate students in degree-granting postsecondary institutions, by control and level of institution, living arrangement, and component of student costs: 2009–10 through 2012-13," http://nces.ed.gov/programs/digest/d13/tables/xls/tabn330.40.xls (accessed January 14, 2015).
ALTERNATIVE HOUSING	
Alternative housing costs include the cost of first month's rent, security deposit, and moving costs. Security Deposit is equal to one month's rent. Moving costs assume $100/hr for first 2 movers and trucks plus $25/hr each additional mover. Number of moving hours varies by bedroom size.	**Rent and Security Deposit:** Housing costs from *The Self-Sufficiency Standard for Indiana 2016*, based on Fair Market Rents and the U.S. Census American Community Survey. **Moving Costs:** "How Many Movers and Hours do I Need?" http://www.moverscorp.com/ (accessed February 3, 2015). "How Much Does A Local Move Cost?" http://www.kudzu.com (accessed July 15, 2015). Budgeting for Muscle: How to Estimate the Cost of a Pro Move." http://blog.movingcompanyreviews.com/estimate-cost-pro-move/ (accessed July 15, 2015). "How Much Does it Cost to Hire Movers?" http://www.mymovingreviews.com/move/how-much-does-it-cost-to-hire-movers (accessed July 15, 2015).
HOUSING PURCHASE	
Closing costs are assumed to be .919% of the loan amount (the average in Indiana for $200,000 loan in June 2015). Closing costs include lender fees, third-party fees for services, and title insurance. Moving costs are based on a 3-bedroom home.	**Home Values:** U.S. Census Bureau, "B25076: Lower Value Quartile (Dollars)," 2009-2013 5-Year American Community Survey, Detailed Tables, http://factfinder.census.gov/ (accessed August 4, 2015). **Closing Costs:** Bankrate.com, "Indiana Closing Costs," http://www.bankrate.com/finance/mortgages/closing-costs/Indiana.aspx (accessed August 3, 2015). **Moving Costs:** See above.
RETIREMENT	
All numbers shown for two adults are the total for both adults in the family. Life expectancy for one adult is the life expectancy for females at age 67 for 25, 40, and 55-year-olds. For two adults, life expectancy is the male and female average at 67 for each age. Cost of living is calculated using the 2016 Indiana Self-Sufficiency Standard adjusted for retirement. Retirement adjustments include: Original Medicare for health costs, one car for two adults and an adjusted mileage rate, food costs are weighted based on retirement age and average life expectancy of males and females. Expenses are assumed to inflate at a rate of 3%. Savings assume a 6% return on investment.	**Life expectancy:** U.S. Social Security Administration, Office of the Chief Actuary, "Retirement & Survivors Benefits: Life Expectancy Calculator," http://www.socialsecurity.gov/OACT/population/longevity.html (accessed August 18, 2015). **Retirement Age:** Social Security Administration, "Full Retirement Age," http://www.ssa.gov/retire2/retirechart.htm (accessed August 18, 2015). **Social Security Benefit:** U.S. Social Security Administration, "Calculators: Online Calculator," http://www.ssa.gov/retire2/AnypiaApplet.html (accessed August 18, 2015). **Cost of Living:** *The Self-Sufficiency Standard for Indiana 2016*, Adjusted for Retirement; Centers for Medicare & Medicaid Services, "Medicare 2015 costs at a glance," https://www.medicare.gov/your-medicare-costs/costs-at-a-glance/costs-at-glance.html; Centers for Medicare & Medicaid Services, "Medicare Plan Finder," https://www.medicare.gov/find-a-plan/questions/home.aspx (accessed July 20, 2015); AARP, "Medicare Supplement Insurance Plans" https://www.aarpmedicareplans.com/health-plans/medicare-supplement-plans.html (accessed July 20, 2015); U.S. Department of Health and Human Services, Agency for Healthcare Research and Quality, Center for Financing, Access, and Cost Trends, Medical Expenditure Panel Survey-Household Component Analytical Tool, "Total Amount Paid by Self/Family, all Types of Service, 2012" MEPSnetHC, http://www.meps.ahrq.gov/mepsweb/data_stats/MEPSnetHC.jsp (accessed July 20, 2015); U.S. Department of Transportation, 2009 National Household Transportation Survey, "Average Annual Vehicle Miles of Travel Per Driver," Online Analysis Tools, http://www.nhts.ornl.gov (accessed July 24, 2015). **Social Security Benefit Inflation:** U.S. Social Security Administration, Office of the Chief Actuary, "COLAs & AWI increases under the intermediate assumptions of the 2014 Trustees Report," http://www.socialsecurity.gov/OACT/TR/TRassum.html (accessed March 12, 2015).

ABOUT THE AUTHOR

Diana M. Pearce, PhD is on the faculty at the School of Social Work, University of Washington in Seattle, Washington, and is Director of the Center for Women's Welfare. Recognized for coining the phrase "the feminization of poverty," Dr. Pearce founded and directed the Women and Poverty Project at Wider Opportunities for Women (WOW). She has written and spoken widely on women's poverty and economic inequality, including testimony before Congress and the President's Working Group on Welfare Reform. While at WOW, Dr. Pearce conceived and developed the methodology for the Self-Sufficiency Standard and first published results in 1996 for Iowa and California. Her areas of expertise include low-wage and part-time employment, unemployment insurance, homelessness, and welfare reform as they impact women. Dr. Pearce has helped found and lead several coalitions, including the Women, Work and Welfare Coalition and the Women and Job Training Coalition. She received her PhD degree in Sociology and Social Work from the University of Michigan.

THE INDIANA INSTITUTE FOR WORKING FAMILIES

The Indiana Institute for Working Families—a program of the Indiana Community Action Association (INCAA)—conducts research and promotes public policies to help Hoosier families achieve and maintain economic self-sufficiency. The Institute is the only statewide program in Indiana that combines research and policy analysis on federal and state legislation, public policies, and programs impacting low-income working families. The Institute achieves its work through advocacy and education, and through national, statewide, and community partnerships. The Institute was founded in 2004.

The Institute has completed a number of research reports and has become a reliable source for information on low-income workers in Indiana. The Institute furthers the debate that sometimes work alone is not enough to support a family and that the educational and training needs of Indiana's workforce must be addressed in order for Indiana to compete in a global economy. The Institute plans to build upon our success to impact public policy issues through continued outreach, education, and research.

INDIANA COMMUNITY ACTION ASSOCIATION

The Indiana Community Action Association, Inc. (IN-CAA) is a statewide not-for-profit membership corporation, incorporated in the State of Indiana in 1970. IN-CAA's members or Network is comprised of Indiana's 22 Community Action Agencies (CAAs), which serve all of Indiana's 92 counties. IN-CAA envisions a state with limited or no poverty, where its residents have decent, safe, and sanitary living conditions, and where resources are available to help low income individuals attain self-sufficiency.

IN-CAA serves as an advocate and facilitator of policy, planning, and programs to create solutions and share responsibility as leaders in the war against poverty. Therefore, IN-CAA's mission is to help the state's Community Action Agencies address the conditions of poverty through: training and technical assistance; developing models for service delivery; and providing resources to help increase Network capacity. The functions of IN-CAA include dissemination of information throughout the Indiana Community Action Network, the delivery of services in areas where local operators have not been available, the development of training programs that are seen as viable, implementation of practices that are best delivered by a central agency, and other functions that are agreed upon by the Board of Directors.

Indiana Institute for Working Families
Research and Public Policy
A Program of INCAA
INDIANA COMMUNITY ACTION ASSOCIATION

THE CENTER FOR WOMEN'S WELFARE

The Center for Women's Welfare at the University of Washington School of Social Work is devoted to furthering the goal of economic justice for women and their families. The main work of the Center focuses on the development of the Self-Sufficiency Standard and related measures, calculations, and analysis. Under the direction of Dr. Diana Pearce, the Center partners with a range of government, non-profit, women's, children's, and community-based groups to:

- research and evaluate public policy related to income adequacy;
- create tools, including online calculators, to assess and establish income adequacy and benefit eligibility; and
- develop programs and policies that strengthen public investment in low-income women, children, and families.

For more information about the Center's programs, or work related to the Self-Sufficiency Standard, call (206) 685-5264. This report and more can be viewed at www.selfsufficiencystandard.org.

Center for Women's Welfare
...advancing economic justice through research and the Self-Sufficiency Standard

SCHOOL OF SOCIAL WORK
UNIVERSITY *of* WASHINGTON