
ON THE ROAD

Exploring Economic Security Pathways in Ohio

By Diana M. Pearce, PhD • December 2015

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ABOUT THE AUTHOR

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INTRODUCTION

This report is the second of two complementary reports that address the issue of economic security for Ohio 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 brief, *The Self-Sufficiency Standard for Ohio 2015*, covers the first two elements, while this report focuses on the third element of asset-building.

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have concluded that the Federal Poverty Level (FPL), developed half a century ago, is not only methodologically out of date, but also no longer accurately measures poverty.¹ Even the Census Bureau characterizes the federal poverty measure as a “statistical yardstick rather than a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 adequacy.³

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 Ohio. The Standard calculates a family-sustaining wage that does not require choosing among basic necessities such as nutritious food, adequate housing, or child care.

However, as shown in the first report, *The Self-Sufficiency Standard for Ohio 2015*, 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 Ohio 2015* 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.

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

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 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 Ohio. 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/ohio.



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

(ESPs). Specifically, this report calculates the costs associated with the following ES Ps:

1. postsecondary education,
2. more secure housing, and
3. retirement.

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 ES Ps make the most sense for their situation and family.

This report begins with a text box summarizing the Self-Sufficiency Standard. In the remainder of the report, the three ES Ps—postsecondary education, housing, and retirement—are discussed, with Ohio-specific calculations of the costs associated with each presented, by county, as appropriate. Each ESP is illustrated with a scenario that details a specific example of the costs and timeline to achieve the ESP for a given family type in a specific place.

ECONOMIC SECURITY PATHWAYS

Beyond meeting basic needs the next step towards economic security is saving for emergencies, as all families are at risk of job loss. Emergency savings, along with unemployment insurance, enable families to weather economic crises, and are an essential element for achieving economic security.

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.

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, businesses increasingly requiring 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 an investment, education is generally an excellent way to achieve economic security, for unlike other assets, it cannot be taken away or foreclosed on.

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_forgettenjobs.pdf (accessed June 1, 2011).

The higher earnings that result can enable the achievement of other economic security goals, such as buying a house or saving for retirement.

Given this, human capital investment requires attending postsecondary vocational training in specialized institutions, community college which provides two-year associate degrees or certificates in specialized fields, or a four-year college or university. 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.

TABLE 1. Estimated Cost of Selected Certificate Programs, Ohio 2015-2016
*By In-Demand, High-Wage Occupations Requiring Post-Secondary Certificate**

OCCUPATION	MEDIAN WAGE	ANNUAL OPENINGS	NUMBER OF CREDITS FOR PROGRAM	ESTIMATED COST (Tuition, Fees, Books, & Supplies)
Aircraft Mechanics and Service Technicians	\$59,510	82	31 - 66	\$3,070 - \$10,378
Computer User Support Specialists	\$43,650	629	15 - 32	\$1,665 - \$5,111
Heating, Air Conditioning, and Refrigeration Mechanics and Installers	\$42,250	412	20 - 36	\$2,719 - \$5,750
Surgical Technologists	\$41,590	127	39 - 43	\$5,301 - \$6,158
Licensed Practical and Licensed Vocational Nurses	\$40,120	1886	34 - 48	\$3,713 - \$7,184
Medical Records and Health Information Technicians	\$34,550	336	21 - 37	\$2,600 - \$4,107
Dental Assistants	\$34,510	323	15 - 33	\$2,339 - \$3,663

* 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.

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 certificates³ in Ohio across many different fields. For example, Columbus State Community College offers a Surgical Technologist certificate which trains workers as key members of a hospital surgical

team. Sinclair Community College offers an Aircraft Aviation Mechanics certificate that trains workers for positions as aircraft mechanics and service technicians.

These certificate programs vary in terms of the amount of academic credits required to earn the certificate, from just 15 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

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.

TABLE 2. Estimated Resident Cost of a 2-Year Associate Degree, Ohio 2015-2016

TECHNICAL COLLEGE	ANNUAL EXPENSES, 1ST YEAR			FULL-TIME TOTAL	PART-TIME TOTAL
	Tuition & Fees	Books & Supplies	Total		
Belmont College	\$4,409	\$1,246	\$5,655	\$11,431	\$11,718
Central Ohio Technical College	\$4,296	\$1,246	\$5,542	\$11,202	\$13,661
Cincinnati State Technical & Community College	\$4,717	\$1,246	\$5,963	\$12,054	\$12,722
Clark State Community College	\$4,180	\$1,246	\$5,426	\$10,968	\$11,204
Columbus State Community College	\$4,078	\$1,246	\$5,324	\$10,762	\$10,157
Cuyahoga Community College	\$3,276	\$1,246	\$4,522	\$9,141	\$9,462
Eastern Gateway Community College	\$3,330	\$1,246	\$4,576	\$9,250	\$9,449
Edison Community College	\$4,249	\$1,246	\$5,495	\$11,107	\$11,407
Hocking College	\$5,490	\$1,246	\$6,736	\$13,616	\$13,909
Lakeland Community College	\$3,714	\$1,246	\$4,960	\$10,026	\$10,242
Lorain County Community College	\$3,077	\$1,246	\$4,323	\$8,738	\$9,904
Marion Technical College	\$4,382	\$1,246	\$5,628	\$11,376	\$13,103
North Central State College	\$4,460	\$1,246	\$5,706	\$11,533	\$11,840
Northwest State Community College	\$4,792	\$1,246	\$6,038	\$12,205	\$12,637
Owens Community College	\$4,540	\$1,246	\$5,786	\$11,696	\$13,936
Rhodes State College	\$4,806	\$1,246	\$6,052	\$12,233	\$12,752
Rio Grande Community College	\$4,685	\$1,246	\$5,931	\$11,988	\$13,485
Sinclair Community College	\$2,971	\$1,246	\$4,217	\$8,524	\$8,708
Southern State Community College	\$4,232	\$1,246	\$5,478	\$11,073	\$11,311
Stark State College	\$4,678	\$1,246	\$5,924	\$11,974	\$12,377
Terra State Community College	\$4,284	\$1,246	\$5,530	\$11,178	\$12,608
Washington State Community College	\$4,490	\$1,246	\$5,736	\$11,594	\$12,112
Zane State College	\$4,596	\$1,246	\$5,842	\$11,809	\$12,137

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.

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 \$1,700 to about \$10,000, with the least expensive certificate program shown being the Help Desk program offered at Eastern Gateway Community College, at about \$1,700 for a 15-credit program.⁵ Most of the certificate programs require more credits and time for completion, and are in the \$3,000 to \$6,000 cost range. For example, the Practical Nursing certificate at Washington State Community

College trains students to be Licensed Practical Nurses, has an estimated cost of \$7,184, and is a 48 credit program.

TECHNICAL 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 Ohio. The average full-time total for tuition and fees for the 2015-2016 school year is \$5,495. On average, community college students spend \$1,246 annually on books and supplies. In total, the average cost of a two-year community college degree (not including living expenses), is \$11,108 if attending full time (two years) and \$11,776 if attending part time (four years). Sinclair Community College is the least expensive, where the cost of a associate’s degree is \$8,524 while Hocking College is the most expensive, with total cost for a two-year degree of \$13,616. 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

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.

TABLE 3. Estimated Cost of Bachelor’s Degree: Ohio 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	
Bowling Green State University	\$10,610	\$1,091	\$9,424	\$23,505	\$88,259
Central State University	\$6,246	\$1,091	\$10,364	\$20,423	\$74,012
Cleveland State University	\$9,696	\$1,091	\$10,598	\$22,516	\$89,376
Kent State University	\$10,012	\$1,091	\$10,886	\$20,461	\$91,902
Miami University	\$14,233	\$1,091	\$11,644	\$19,425	\$112,680
The Ohio State University	\$10,037	\$1,091	\$9,830	\$18,893	\$87,574
Ohio University	\$11,548	\$1,091	\$12,546	\$28,202	\$105,273
Shawnee State University	\$7,364	\$1,091	\$8,730	\$18,371	\$71,814
The University of Akron	\$10,159	\$1,091	\$10,968	\$18,401	\$92,859
University of Cincinnati	\$11,000	\$1,091	\$10,750	\$18,216	\$95,450
The University of Toledo	\$9,242	\$1,091	\$10,094	\$19,173	\$85,368
Wright State University	\$8,730	\$1,091	\$10,744	\$1,203	\$85,962
Youngstown State University	\$8,087	\$1,091	\$9,190	\$21,419	\$76,760

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.

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 \$2,944 on average, the total cost of attending part time over four years is slightly higher than for two years, due to the anticipated inflation in tuition and other costs over the longer time period.

BACHELOR'S DEGREE. **Table 3** shows the costs of attaining a bachelor's degree from a public four-year college or university in Ohio. 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 institution in Ohio is \$89,022 on average. The least expensive is Shawnee State University, where the cost of a bachelor's degree is \$71,814 while the

most expensive is Miami University, where the cost of a bachelor's degree is \$112,680.

Another option, shown in **Table 4**, is attendance at one of the many branch campuses of the major Ohio public universities. These are designed as primarily commuter campuses, and generally offer less expensive tuition than their flagship counterparts. Miami University's annual tuition and fees, for example, total \$14,233 at its main campus, but run only \$5,173 per year at its Hamilton and Middletown campuses. Excluding room and board, a bachelor's degree ranges from \$24,781 at Ohio University's Eastern and Southern campuses to \$34,235 at Ohio State University's Lima, Mansfield, Marion, and Newark Campuses.

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THE ESTIMATED TOTAL COST OF ATTAINING A BACHELOR'S DEGREE FROM A PUBLIC INSTITUTION IN OHIO IS \$89,022 ON AVERAGE.

TABLE 4. Estimated Cost of Bachelor's Degree: Ohio 2015-2016
Full-Time, Public 4-Year Branch Institutions

NAME OF PUBLIC COLLEGE OR UNIVERSITY	1ST YEAR		TOTAL COST FOR A FULL-TIME STUDENT OVER FOUR YEARS
	Tuition & Fees	Books & Supplies	
Bowling Green State University: Firelands	\$4,930	\$1,091	\$25,022
Kent State University: Ashtabula, East Liverpool, Geauga, Salem, Stark, Trumbull, and Tuscarawas	\$5,664	\$1,091	\$28,082
Miami University: Hamilton and Middletown (Lower Division)	\$5,173	\$1,091	\$26,035
Ohio State University: Lima, Mansfield*, Marion, and Newark* Campuses	\$7,140	\$1,091	\$34,235
Ohio University: Eastern and Southern Campuses (Lower Division)	\$4,872	\$1,091	\$24,781
Ohio University: Chillicothe and Lancaster Campuses	\$5,060	\$1,091	\$25,564
Ohio University: Zanesville Campus (Lower Division)	\$5,076	\$1,091	\$25,631
University of Akron Wayne College	\$6,116	\$1,091	\$29,966
University of Cincinnati: Blue Ash College	\$6,010	\$1,091	\$29,525
University of Cincinnati: Clermont College	\$5,316	\$1,091	\$26,631
Wright State University: Lake* Campus	\$5,842	\$1,091	\$28,824

*Room and board available at these commuter campuses

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.

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, 58% of students have federal grants averaging \$4,396 and 21% have student loans averaging \$4,826 annually. Among full-time students in public 4-year institutions, 39% of students have federal grants (most commonly, Pell grants) averaging \$4,540 and 53% have student loans averaging \$6,455 annually.

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 Ohio'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.



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 Franklin County. She has a high school degree and works as a retail salesperson earning \$9.74 per hour (\$1,950 monthly), the median wage among retail salespersons in Ohio.¹ She also receives \$238 per month in child support—the average amount received by families participating in the Child Support Program in Ohio.² Her total resources are thus \$2,188 per month. However, according to the Self-Sufficiency Standard, a family of her type living in Franklin County requires \$3,617 per month, just to meet her basic needs. Since her wages 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.
- She is eligible for child care assistance through the state and pays \$190 per month for her preschooler instead of the full market rate child care cost of \$900.
- She is also eligible for food assistance through the Supplemental Nutrition and Assistance Program (SNAP/food stamps) and the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC).
- In addition, because she is eligible for Medicaid, her health care costs are lower 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 Columbus State Community College, in computer science. Although getting this degree will cost about \$11,000, she is preparing 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 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 February 18, 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, “Northeast Region All Items, 1982-84=100 - CUURA101SA0,” Consumer Price Index, <http://data.bls.gov/cgi-bin/survey/most?cu> (accessed December 1, 2014).

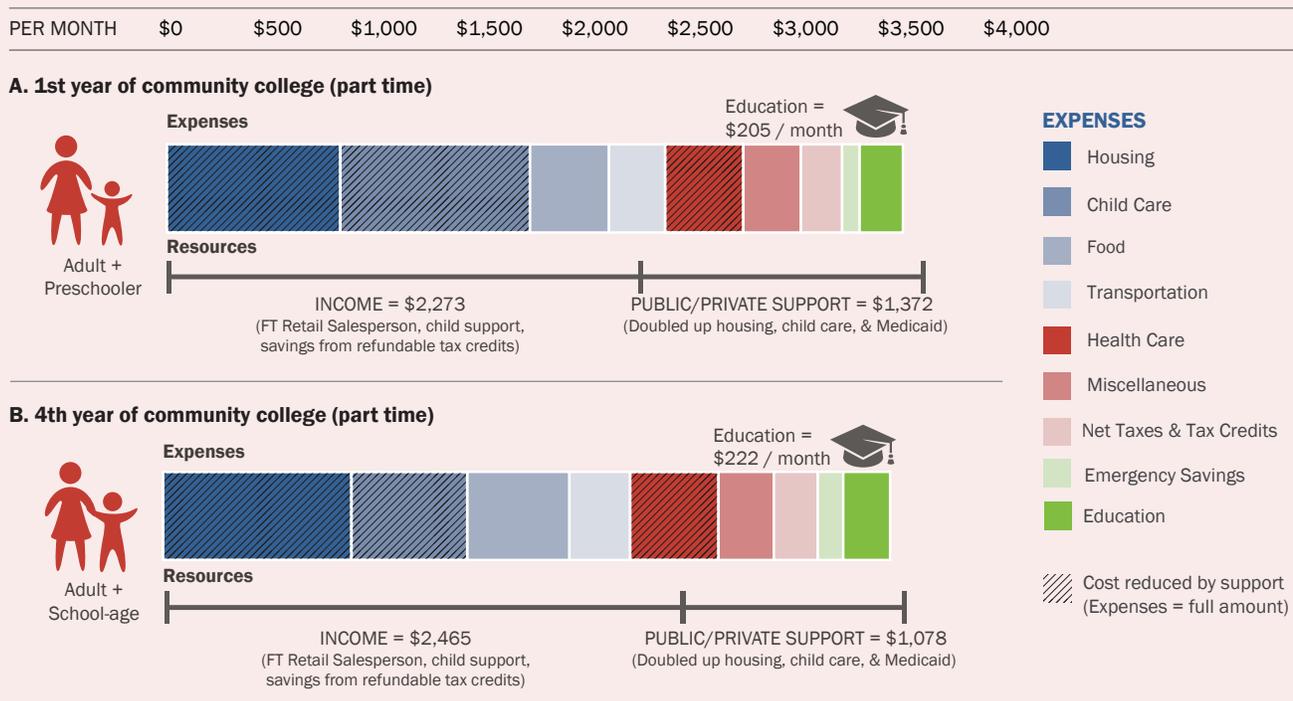
3 Visit <http://www.onetonline.org/> to explore career options and find local salary information and training programs.

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 \$212 per month for tuition, fees, books, and supplies) and because she is receiving supports that reduce her living costs. The first bar shows her expenses according to the Self-Sufficiency Standard plus the cost of education. The resources line illustrate 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, not including grants, cover \$1,372 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 \$147 per month and will receive refundable tax credits totaling about \$4,000 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 Franklin County, OH 2015



RESOURCE ASSUMPTIONS: Income is based on employment as a retail salesperson (\$9.74 per hour) and an average child support award (\$238 per month). Public and private 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 Columbus State Community College.

EXPENSES ASSUMPTIONS: Living expenses are based on costs included in the 2015 Self-Sufficiency Standard. The monthly Standard for Franklin County is \$3,617 for one adult and one preschooler and \$3,056 for one adult and one school-age child. Education expenses are based on attendance at Columbus State 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.

OPTION 2. A second approach is that of “saving first, then school” (see **Figure B**). In this scenario, 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 during this year, she receives around \$4,000 total in an annual tax credits’ refund. These are saved and shown as resources in **Figure B** the following year. Over the next two years, she attends school full time while working part time. With her lower earnings, her annual tax credit refund increases to \$4,340.

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 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 \$4,900 annually, 92% of each year’s educational costs would be covered (shown as grants of \$417 per 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 Franklin County, OH 2015



RESOURCE ASSUMPTIONS: Income is based on employment as a retail salesperson (\$9.74 per hour) and an average child support award (\$238 per month). Public and private 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 Columbus State Community College.

EXPENSES ASSUMPTIONS: Living expenses are based on costs included in the 2015 Self-Sufficiency Standard. The monthly Standard for Franklin County is \$3,617 for one adult and one preschooler and \$3,056 for one adult and one school-age child. Education expenses are based on attendance at Columbus State 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 Ohio, 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 both the size of the housing unit, and the housing costs in a county. **Table 5** shows the total savings required by county and by housing unit size in Ohio. Families that require a three or four bedroom housing unit need savings from more than \$2,000 to nearly \$4,000 to move to alternative rental housing, depending on the county. In the most expensive county, Warren County, a family requiring a three bedroom unit requires \$3,402 to secure alternative housing. In contrast, a household with no children, requiring only a one-bedroom unit, needs to save a minimum of about \$1,400 in most Ohio counties in order to obtain more secure housing.

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.

.....
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

TABLE 5. Estimated Cost to Relocate to Alternative Rental Housing, OH 2015

COUNTY	BEDROOM SIZE				COUNTY	BEDROOM SIZE			
	1	2	3	4		1	2	3	4
Adams	\$1,302	\$1,768	\$2,356	\$2,569	Licking	\$1,435	\$1,975	\$2,652	\$3,074
Allen	\$1,248	\$1,770	\$2,332	\$2,597	Logan	\$1,296	\$1,848	\$2,538	\$2,939
Ashland	\$1,342	\$1,826	\$2,626	\$2,837	Lorain	\$1,488	\$2,005	\$2,766	\$2,958
Ashtabula	\$1,292	\$1,792	\$2,498	\$2,633	Lucas	\$1,314	\$1,829	\$2,543	\$2,770
Athens	\$1,492	\$1,914	\$2,530	\$2,765	Madison	\$1,449	\$1,993	\$2,676	\$3,101
Auglaize	\$1,260	\$1,798	\$2,532	\$3,007	Mahoning	\$1,355	\$1,806	\$2,471	\$2,693
Belmont	\$1,318	\$1,768	\$2,378	\$2,569	Marion	\$1,404	\$1,916	\$2,626	\$2,953
Brown	\$1,278	\$1,770	\$2,550	\$2,799	Medina	\$1,631	\$2,186	\$3,008	\$3,208
Butler	\$1,552	\$2,163	\$3,053	\$3,412	Meigs	\$1,256	\$1,768	\$2,398	\$2,799
Carroll	\$1,222	\$1,699	\$2,326	\$2,566	Mercer	\$1,288	\$1,838	\$2,602	\$2,733
Champaign	\$1,338	\$1,768	\$2,618	\$2,891	Miami	\$1,367	\$1,899	\$2,623	\$2,973
Clark	\$1,344	\$1,860	\$2,542	\$2,839	Monroe	\$1,370	\$1,768	\$2,330	\$2,569
Clermont	\$1,483	\$2,071	\$2,926	\$3,272	Montgomery	\$1,385	\$1,922	\$2,654	\$3,009
Clinton	\$1,278	\$1,824	\$2,480	\$2,939	Morgan	\$1,332	\$1,768	\$2,618	\$2,749
Columbiana	\$1,300	\$1,790	\$2,458	\$2,745	Morrow	\$1,311	\$1,814	\$2,444	\$2,833
Coshocton	\$1,292	\$1,768	\$2,498	\$2,665	Muskingum	\$1,334	\$1,768	\$2,568	\$2,873
Crawford	\$1,238	\$1,768	\$2,538	\$2,671	Noble	\$1,294	\$1,768	\$2,496	\$2,735
Cuyahoga	\$1,487	\$2,003	\$2,763	\$2,955	Ottawa	\$1,419	\$1,967	\$2,728	\$2,966
Darke	\$1,344	\$1,768	\$2,582	\$2,933	Paulding	\$1,304	\$1,768	\$2,370	\$2,569
Defiance	\$1,282	\$1,768	\$2,420	\$3,033	Perry	\$1,238	\$1,768	\$2,412	\$2,649
Delaware	\$1,669	\$2,279	\$3,045	\$3,527	Pickaway	\$1,435	\$1,975	\$2,652	\$3,074
Erie	\$1,460	\$1,932	\$2,616	\$2,789	Pike	\$1,370	\$1,768	\$2,618	\$3,079

TABLE 5. Estimated Cost to Relocate to Alternative Rental Housing, OH 2015

COUNTY	BEDROOM SIZE				COUNTY	BEDROOM SIZE			
	1	2	3	4		1	2	3	4
Fairfield	\$1,500	\$2,060	\$2,761	\$3,200	Portage	\$1,526	\$2,157	\$2,884	\$3,090
Fayette	\$1,346	\$1,914	\$2,512	\$2,963	Preble	\$1,266	\$1,808	\$2,492	\$2,625
Franklin	\$1,570	\$2,150	\$2,878	\$3,335	Putnam	\$1,280	\$1,794	\$2,362	\$2,605
Fulton	\$1,344	\$1,868	\$2,596	\$2,826	Richland	\$1,254	\$1,768	\$2,612	\$2,743
Gallia	\$1,320	\$1,858	\$2,422	\$2,763	Ross	\$1,340	\$1,906	\$2,524	\$3,153
Geauga	\$1,600	\$2,147	\$2,956	\$3,154	Sandusky	\$1,342	\$1,768	\$2,424	\$3,121
Greene	\$1,552	\$2,141	\$2,947	\$3,336	Scioto	\$1,370	\$1,768	\$2,330	\$2,739
Guernsey	\$1,292	\$1,768	\$2,334	\$2,643	Seneca	\$1,284	\$1,768	\$2,516	\$2,657
Hamilton	\$1,395	\$1,955	\$2,765	\$3,094	Shelby	\$1,300	\$1,854	\$2,436	\$2,685
Hancock	\$1,330	\$1,820	\$2,678	\$2,867	Stark	\$1,343	\$1,856	\$2,532	\$2,788
Hardin	\$1,290	\$1,768	\$2,502	\$2,987	Summit	\$1,433	\$2,031	\$2,721	\$2,921
Harrison	\$1,354	\$1,768	\$2,554	\$2,685	Trumbull	\$1,371	\$1,825	\$2,496	\$2,720
Henry	\$1,374	\$1,802	\$2,640	\$3,181	Tuscarawas	\$1,276	\$1,786	\$2,354	\$2,593
Highland	\$1,264	\$1,768	\$2,330	\$2,569	Union	\$1,468	\$2,060	\$2,692	\$2,959
Hocking	\$1,292	\$1,768	\$2,434	\$2,569	Van Wert	\$1,252	\$1,768	\$2,406	\$2,623
Holmes	\$1,282	\$1,768	\$2,346	\$2,569	Vinton	\$1,370	\$1,768	\$2,548	\$2,871
Huron	\$1,258	\$1,768	\$2,530	\$2,883	Warren	\$1,742	\$2,415	\$3,402	\$3,796
Jackson	\$1,360	\$1,768	\$2,424	\$2,569	Washington	\$1,282	\$1,784	\$2,474	\$2,771
Jefferson	\$1,366	\$1,812	\$2,508	\$2,889	Wayne	\$1,360	\$1,848	\$2,490	\$2,677
Knox	\$1,312	\$1,768	\$2,518	\$2,775	Williams	\$1,250	\$1,768	\$2,330	\$2,727
Lake	\$1,607	\$2,155	\$2,967	\$3,165	Wood	\$1,422	\$1,971	\$2,734	\$2,972
Lawrence	\$1,338	\$1,776	\$2,436	\$2,945	Wyandot	\$1,370	\$1,768	\$2,580	\$3,061



SCENARIO

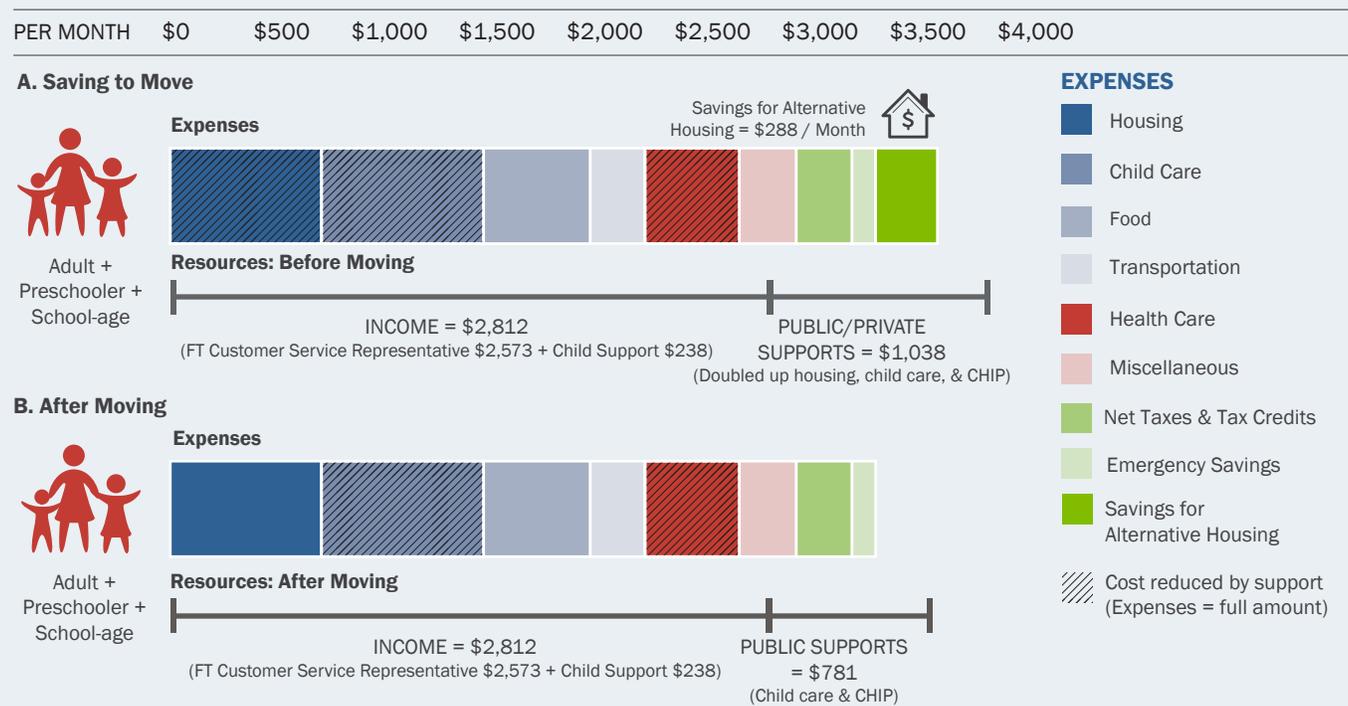
MEETING THE COST OF ALTERNATIVE HOUSING

The Miller family includes a mother with two young children (one preschooler and one school-age child) living in Ross County. Ms. Miller works as a customer service representative and earns just under \$31,000 annually (\$2,573 per month), the median earnings of customer service representatives in Ohio (see **Figure C**). She also receives a monthly child support payment of \$238 per month. If her children were older, this wage 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 (\$2,853 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 and CHIP health coverage for her children. By getting support with housing, child care, and health insurance, Ms. Miller earns enough to meet her basic needs, build her emergency savings fund, and has a surplus of \$576 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 \$703 for a security deposit, another \$703 for first month's rent, and \$500 for moving costs, for a total of \$1,906, to secure a two-bedroom apartment in Ross County (see Table 4). If she saves half of her monthly surplus (\$276 per month), in seven months she will save enough to move into her own apartment. With the continued aid of child care 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 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 Ross County, OH 2016



Resource Assumptions: Income is based on assumption that Ms. Miller earns the median wage of a full time Customer Service Representative (which is \$2,573 per month in Ohio), and receives the average child support award (\$238 per month). Public and private supports include living with her parents, child care assistance, and CHIP.

Expense Assumptions: Living expenses are based on costs in the Self-Sufficiency Standard. The 2015 Standard for one adult, one preschooler, and one school-age child living in Ross County is \$2,853 per month (\$16.21 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 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 Ohio counties, from a low of \$41,000 in Meigs County to a high value of \$169,900 in Delaware County (see **Table 6**).

The second most important determinant of the cost of becoming a homeowner is the amount of down payment, which 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%.¹ With the average price of a starter home in Ohio of \$80,863, the average down payment would be \$9,423 (10%) or \$17,444 (20%). However, there is much variation in the down payment amounts, reflecting house price variation across counties. Likewise, closing costs also vary across counties.²

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 Meigs County, where houses are the least expensive in the state, with the lower down payment of 10%, would cost a family about \$5,148. Purchasing a starter home in Delaware County, the county with the highest cost housing, would be about \$18,973 with a 10% down payment and over \$35,000 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. For example, with a 20% down payment, a 30 year loan with a 4% interest rate will result in a mortgage payment of roughly \$450 per month for the average price starter home in Ohio (\$80,863). However, the mortgage payment will increase to about \$540 per month if a 10% down payment is made.³

¹ 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/>.

² Note the costs of initial homeownership do not include any monthly mortgage payments.

³ Zillow, “Mortgage Calculator,” <http://www.zillow.com/mortgage-calculator/> (accessed December 1, 2015).

TABLE 6. Estimated Savings Required to Purchase a Starter Home, OH 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	\$50,800	\$6,199	\$11,238	Licking	\$103,700	\$11,873	\$22,159
Allen	\$70,400	\$8,301	\$15,284	Logan	\$78,100	\$9,127	\$16,874
Ashland	\$85,300	\$9,899	\$18,360	Lorain	\$94,700	\$10,907	\$20,301
Ashtabula	\$76,000	\$8,902	\$16,440	Lucas	\$69,900	\$8,247	\$15,181
Athens	\$62,500	\$7,454	\$13,653	Madison	\$98,200	\$11,283	\$21,024
Auglaize	\$88,600	\$10,253	\$19,042	Mahoning	\$61,900	\$7,389	\$13,529
Belmont	\$56,000	\$6,756	\$12,311	Marion	\$67,300	\$7,968	\$14,644
Brown	\$76,200	\$8,923	\$16,482	Medina	\$136,800	\$15,423	\$28,993
Butler	\$102,600	\$11,755	\$21,932	Meigs	\$41,000	\$5,148	\$9,215
Carroll	\$74,300	\$8,719	\$16,089	Mercer	\$85,000	\$9,867	\$18,298
Champaign	\$86,300	\$10,006	\$18,567	Miami	\$91,400	\$10,553	\$19,620
Clark	\$73,400	\$8,623	\$15,904	Monroe	\$58,700	\$7,046	\$12,869
Clermont	\$107,600	\$12,291	\$22,964	Montgomery	\$76,400	\$8,945	\$16,523
Clinton	\$81,300	\$9,470	\$17,535	Morgan	\$59,100	\$7,089	\$12,951
Columbiana	\$63,100	\$7,518	\$13,777	Morrow	\$86,300	\$10,006	\$18,567
Coshocton	\$59,300	\$7,110	\$12,993	Muskingum	\$67,700	\$8,011	\$14,727
Crawford	\$62,300	\$7,432	\$13,612	Noble	\$47,500	\$5,845	\$10,556
Cuyahoga	\$84,400	\$9,803	\$18,175	Ottawa	\$91,800	\$10,596	\$19,702
Darke	\$75,800	\$8,880	\$16,399	Paulding	\$64,500	\$7,668	\$14,066
Defiance	\$73,900	\$8,676	\$16,007	Perry	\$60,200	\$7,207	\$13,178
Delaware	\$169,900	\$18,973	\$35,826	Pickaway	\$100,100	\$11,487	\$21,416
Erie	\$88,900	\$10,285	\$19,104	Pike	\$56,100	\$6,767	\$12,332
Fairfield	\$116,000	\$13,192	\$24,698	Portage	\$101,100	\$11,594	\$21,622
Fayette	\$75,600	\$8,859	\$16,358	Preble	\$83,300	\$9,685	\$17,947
Franklin	\$101,500	\$11,637	\$21,705	Putnam	\$91,900	\$10,607	\$19,723
Fulton	\$89,100	\$10,307	\$19,145	Richland	\$69,300	\$8,183	\$15,057
Gallia	\$58,500	\$7,025	\$12,827	Ross	\$73,800	\$8,666	\$15,986
Geauga	\$158,300	\$17,729	\$33,431	Sandusky	\$80,500	\$9,384	\$17,369
Greene	\$107,300	\$12,259	\$22,902	Scioto	\$51,200	\$6,242	\$11,320
Guernsey	\$64,500	\$7,668	\$14,066	Seneca	\$68,600	\$8,108	\$14,913
Hamilton	\$98,900	\$11,358	\$21,168	Shelby	\$87,800	\$10,167	\$18,876
Hancock	\$90,900	\$10,500	\$19,516	Stark	\$83,600	\$9,717	\$18,009
Hardin	\$64,100	\$7,625	\$13,984	Summit	\$87,200	\$10,103	\$18,753
Harrison	\$56,400	\$6,799	\$12,394	Trumbull	\$65,700	\$7,797	\$14,314
Henry	\$78,500	\$9,170	\$16,956	Tuscarawas	\$74,400	\$8,730	\$16,110
Highland	\$68,900	\$8,140	\$14,975	Union	\$124,500	\$14,104	\$26,453
Hocking	\$65,300	\$7,754	\$14,231	Van Wert	\$61,800	\$7,379	\$13,509
Holmes	\$98,900	\$11,358	\$21,168	Vinton	\$49,600	\$6,070	\$10,990
Huron	\$80,500	\$9,384	\$17,369	Warren	\$136,600	\$15,402	\$28,951
Jackson	\$54,300	\$6,574	\$11,960	Washington	\$73,100	\$8,591	\$15,842
Jefferson	\$54,500	\$6,596	\$12,002	Wayne	\$95,400	\$10,982	\$20,446
Knox	\$92,500	\$10,671	\$19,847	Williams	\$71,800	\$8,451	\$15,573
Lake	\$110,300	\$12,581	\$23,522	Wood	\$98,200	\$11,283	\$21,024
Lawrence	\$62,700	\$7,475	\$13,695	Wyandot	\$73,700	\$8,655	\$15,966



SCENARIO

MEETING THE COST OF HOME OWNERSHIP

This scenario, shown in **Figure D**, models Mr. and Mrs. Baker who live in Cuyahoga County with their preschooler and school-age child. Mr. and Mrs. Baker both work full time in occupations paying the equivalent to the median across all occupations in Ohio. In total they bring home about \$5,797 per month which is 115% of their Self-Sufficiency Standard. The Bakers are considering homeownership as their next step in reaching economic security.

The Bakers hope to find a starter home for around \$84,400 (the 25th percentile of home values in Cuyahoga County). To become homeowners, the Bakers would need to save for a 20% down payment, closing costs, and moving costs, for a total of \$18,175 before inflation (see **Table 6**).

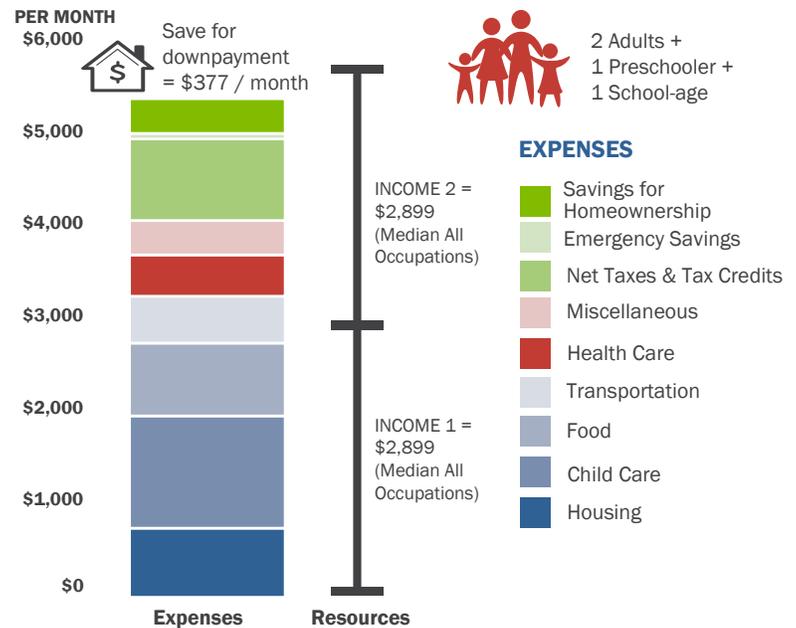
If they save half of their surplus earnings each month, they would save about \$4,500 per year. After four years they will have saved enough to cover a 20% down payment, closing costs, and moving costs of a starter home in Cuyahoga County.

However, note that this scenario, unlike the alternative housing scenario described above, 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.

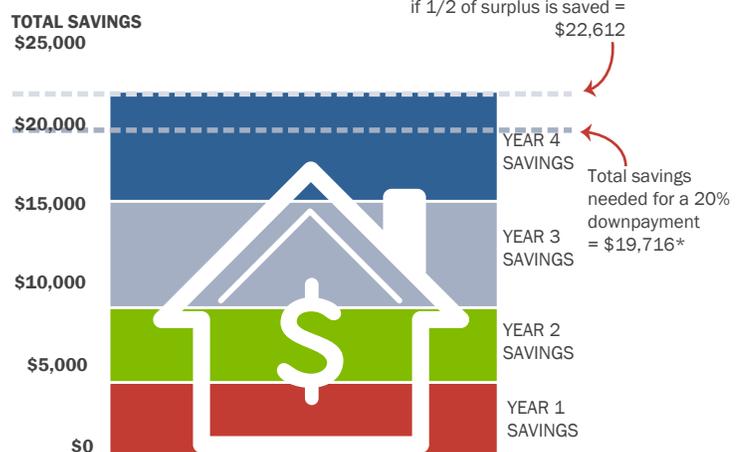
FIGURE D. Saving monthly for the goal of homeownership pays off over time.

Expenses and resources shown per month Cuyahoga County, OH 2015

YEAR 1 EXPENSES AND RESOURCES



FOUR YEAR SAVINGS GOAL



EXPENSE ASSUMPTIONS: Living expenses are based on costs in the Self-Sufficiency Standard. The 2015 Standard for two adults, one preschooler, and one school-age child living in Cuyahoga County is \$4,659 per month (\$13.24 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 Cuyahoga County is \$18,175 before inflation but estimated to be \$19,716 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:

- the amount needed to meet basic needs, using a Retirement-Adjusted Self-Sufficiency Standard for one- and two-adult elderly households; and,

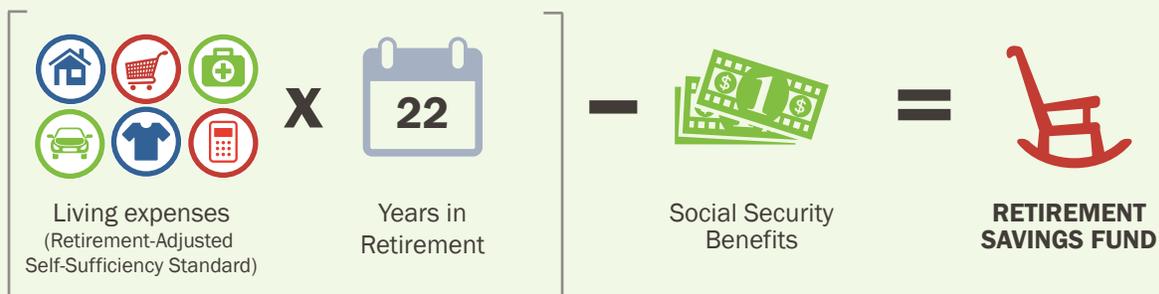
1 The U.S. Department of Labor has many publications on the importance of saving for retirement through the Retirement Savings Education Campaign. See <http://www.dol.gov/ebsa/pdf/savingsfitness.pdf> or <http://www.dol.gov/ebsa/pdf/NewEntrants.pdf>.

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 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 Ohio 2015* 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.
- Miscellaneous expenses are 10% of all other basic expenses.

The resulting Retirement-Adjusted (RA) Self-Sufficiency Standard averages just about \$21 more per month than the Self-Sufficiency Standard but it varies depending on county. For example, the

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

monthly Standard for one adult in Carroll County is \$1,450 but after adjusting for retirement it only increases to \$1,452. In Warren County, the Standard per month is \$1,843 and decreases to \$1,765 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 Total savings to cover expenses in retirement is based on the life expectancy at retirement age and varies by gender and current age.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 Carroll County, the total needed to cover expenses during retirement for one adult who was 25 in 2015 and plans to retire at age 67 is \$820,000, but is \$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 Warren County the amount needed for expenses over retirement is about \$1.0 million for one adult who is 25, \$638,000 if they are 40, and \$402,000 if they

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 Self-Sufficiency Standard Plus Retirement Savings for 1 and 2 Adults
Carroll County and Warren County, OH 2015**

	CARROLL COUNTY (LOW COST)		WARREN COUNTY (HIGH COST)	
	1 Adult	2 Adults	1 Adult	2 Adults
Monthly Expenses: Retirement-Adjusted (RA) Self-Sufficiency Standard (Current Dollars)	\$1,534	\$2,294	\$1,765	\$2,541
Monthly Social Security Benefit (Current Dollars)	\$951	\$1,902	\$1,068	\$2,136
RETIREMENT SAVINGS CALCULATION STARTING TO SAVE AT AGE 25				
Total Expenses Over Retirement	\$820,000	\$1,190,000	\$940,000	\$1,320,000
Total Social Security Benefit Over Retirement	\$450,000	\$870,000	\$500,000	\$980,000
Total Net Savings Required at Retirement (Expenses less Social Security benefits)	\$370,000	\$320,000	\$440,000	\$340,000
Amount Needed to Save Monthly	\$174	\$150	\$206	\$160
RETIREMENT SAVINGS CALCULATION STARTING TO SAVE AT AGE 40				
Total Expenses Over Retirement	\$510,000	\$750,000	\$590,000	\$830,000
Total Social Security Benefit Over Retirement	\$290,000	\$580,000	\$330,000	\$650,000
Total Net Savings Required at Retirement (Expenses less Social Security benefits)	\$220,000	\$180,000	\$260,000	\$190,000
Amount Needed to Save Monthly	\$288	\$229	\$342	\$243
RETIREMENT SAVINGS CALCULATION STARTING TO SAVE AT AGE 55				
Total Expenses Over Retirement	\$320,000	\$470,000	\$370,000	\$520,000
Total Social Security Benefit Over Retirement	\$190,000	\$380,000	\$220,000	\$420,000
Total Net Savings Required at Retirement (Expenses less Social Security benefits)	\$130,000	\$90,000	\$160,000	\$100,000
Amount Needed to Save Monthly	\$643	\$465	\$766	\$486

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 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," I Investment Company Institute, Accessed April 16, 2016 from http://www.ici.org/info/per19-08_data.xls.

3 Ibid.

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 between 144%-157% 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 \$1.19 million in Carroll County and about \$1.32 million in Warren 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 Ohio county and assumes 42 years of employment. For example, the monthly Social Security benefit is estimated to be \$951 in Carroll County and \$1,068 in Warren County (in current dollars).

- The total Social Security benefit over retirement for a 25-year-old worker is estimated at \$450,000 in Carroll County and \$500,000 in Warren County.
- The total Social Security benefit over retirement for a 40-year-old worker is estimated at \$290,000 in Carroll County and \$330,000 in Warren County.
- The total Social Security benefit over retirement for a 55-year-old worker is estimated at \$190,000 in Carroll County and \$220,000 in Warren County.

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

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, and for one and two adult households.

In Carroll County, a 25-year-old adult needs a net savings of \$370,000 at retirement and must start saving \$174 per month to reach that goal. In Warren County, the 25-year-old adult will need a net savings of \$440,000 at retirement and must start saving \$206 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. Note that these calculations do not take into account any additional income, such as pension payments from an employer-sponsored plan.

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

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 Contributions OH 2015
By Age at Which Savings Begin and County

COUNTY	25 YEARS OLD		40 YEARS OLD		55 YEARS OLD	
	1 Adult	2 Adults	1 Adult	2 Adults	1 Adult	2 Adults
Adams County	\$169	\$144	\$279	\$218	\$622	\$438
Allen County	\$171	\$146	\$281	\$222	\$628	\$447
Ashland County	\$164	\$131	\$269	\$196	\$599	\$384
Ashtabula County	\$174	\$150	\$288	\$229	\$643	\$465
Athens County	\$188	\$155	\$310	\$236	\$694	\$474
Auglaize County	\$170	\$142	\$280	\$216	\$625	\$434
Belmont County	\$179	\$150	\$296	\$228	\$662	\$462
Brown County	\$161	\$139	\$264	\$210	\$587	\$418
Butler County	\$188	\$152	\$309	\$230	\$691	\$459
Carroll County	\$155	\$150	\$255	\$230	\$565	\$466
Champaign County	\$166	\$149	\$273	\$226	\$608	\$456
Clark County	\$169	\$140	\$278	\$211	\$619	\$419
Clermont County	\$183	\$152	\$302	\$230	\$674	\$461
Clinton County	\$184	\$152	\$304	\$233	\$681	\$472
Columbiana County	\$171	\$144	\$281	\$219	\$627	\$440
Coshocton County	\$172	\$138	\$283	\$208	\$632	\$415
Crawford County	\$165	\$147	\$271	\$224	\$604	\$451
Cuyahoga County	\$187	\$161	\$309	\$246	\$690	\$499
Darke County	\$176	\$141	\$291	\$214	\$649	\$427
Defiance County	\$166	\$134	\$273	\$201	\$609	\$398
Delaware County	\$198	\$163	\$327	\$248	\$732	\$501
Erie County	\$180	\$142	\$297	\$214	\$664	\$426
Fairfield County	\$185	\$155	\$305	\$235	\$683	\$475
Fayette County	\$180	\$145	\$298	\$220	\$668	\$442
Franklin County	\$191	\$157	\$315	\$238	\$704	\$478
Fulton County	\$170	\$151	\$279	\$231	\$621	\$466
Gallia County	\$184	\$149	\$305	\$227	\$684	\$459
Geauga County	\$189	\$171	\$312	\$262	\$697	\$534
Greene County	\$193	\$161	\$319	\$247	\$716	\$502
Guernsey County	\$173	\$141	\$286	\$213	\$639	\$426
Hamilton County	\$176	\$146	\$290	\$221	\$646	\$440
Hancock County	\$171	\$153	\$282	\$234	\$629	\$474
Hardin County	\$166	\$145	\$273	\$221	\$607	\$443
Harrison County	\$161	\$134	\$264	\$201	\$587	\$397
Henry County	\$168	\$145	\$276	\$219	\$614	\$439
Highland County	\$174	\$150	\$287	\$230	\$641	\$466
Hocking County	\$170	\$151	\$281	\$230	\$626	\$465
Holmes County	\$171	\$158	\$282	\$243	\$629	\$496
Huron County	\$171	\$142	\$282	\$216	\$630	\$434
Jackson County	\$181	\$155	\$298	\$237	\$667	\$482
Jefferson County	\$170	\$141	\$280	\$212	\$625	\$421
Knox County	\$167	\$141	\$275	\$212	\$613	\$424
Lake County	\$193	\$163	\$319	\$249	\$714	\$504
Lawrence County	\$170	\$140	\$280	\$212	\$624	\$421

TABLE 8. Estimated Monthly Retirement Contributions OH 2015
By Age at Which Savings Begin and County

COUNTY	25 YEARS OLD		40 YEARS OLD		55 YEARS OLD	
	1 Adult	2 Adults	1 Adult	2 Adults	1 Adult	2 Adults
Licking County	\$179	\$151	\$296	\$230	\$660	\$463
Logan County	\$176	\$146	\$290	\$222	\$649	\$448
Lorain County	\$183	\$154	\$302	\$233	\$675	\$470
Lucas County	\$169	\$144	\$279	\$218	\$621	\$435
Madison County	\$179	\$157	\$296	\$240	\$660	\$486
Mahoning County	\$168	\$141	\$276	\$212	\$614	\$421
Marion County	\$171	\$136	\$282	\$204	\$628	\$402
Medina County	\$195	\$163	\$323	\$249	\$723	\$505
Meigs County	\$163	\$149	\$267	\$227	\$594	\$458
Mercer County	\$166	\$131	\$273	\$196	\$609	\$386
Miami County	\$175	\$146	\$288	\$221	\$643	\$444
Monroe County	\$161	\$134	\$264	\$201	\$587	\$397
Montgomery County	\$176	\$146	\$290	\$221	\$647	\$443
Morgan County	\$183	\$157	\$303	\$241	\$680	\$492
Morrow County	\$168	\$152	\$276	\$231	\$616	\$468
Muskingum County	\$177	\$148	\$292	\$224	\$653	\$452
Noble County	\$183	\$158	\$303	\$243	\$680	\$498
Ottawa County	\$165	\$149	\$271	\$226	\$602	\$454
Paulding County	\$176	\$152	\$290	\$232	\$648	\$470
Perry County	\$171	\$156	\$282	\$240	\$630	\$489
Pickaway County	\$181	\$144	\$299	\$217	\$669	\$433
Pike County	\$158	\$131	\$259	\$195	\$574	\$382
Portage County	\$186	\$161	\$307	\$247	\$687	\$500
Preble County	\$168	\$146	\$276	\$223	\$616	\$449
Putnam County	\$172	\$149	\$284	\$228	\$634	\$461
Richland County	\$165	\$143	\$271	\$216	\$603	\$433
Ross County	\$161	\$127	\$264	\$189	\$586	\$368
Sandusky County	\$176	\$144	\$291	\$218	\$650	\$437
Scioto County	\$180	\$146	\$296	\$221	\$663	\$443
Seneca County	\$172	\$144	\$283	\$219	\$633	\$441
Shelby County	\$177	\$146	\$292	\$223	\$654	\$449
Stark County	\$167	\$144	\$274	\$218	\$611	\$436
Summit County	\$179	\$156	\$295	\$238	\$658	\$482
Trumbull County	\$171	\$142	\$281	\$213	\$626	\$425
Tuscarawas County	\$180	\$157	\$297	\$241	\$665	\$491
Union County	\$190	\$156	\$314	\$237	\$705	\$480
Van Wert County	\$163	\$148	\$268	\$225	\$595	\$455
Vinton County	\$182	\$152	\$300	\$233	\$672	\$471
Warren County	\$206	\$160	\$342	\$243	\$766	\$486
Washington County	\$171	\$148	\$282	\$224	\$629	\$452
Wayne County	\$174	\$145	\$288	\$219	\$642	\$440
Williams County	\$178	\$159	\$294	\$245	\$659	\$503
Wood County	\$177	\$147	\$292	\$222	\$652	\$444
Wyandot County	\$180	\$160	\$297	\$245	\$665	\$500

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 range from 44% to 57% 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 Carroll County needs to save \$288 per month for retirement, while a 40-year-old couple in Carroll County needs to save \$229 per month or \$115 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 Warren County is about \$280 more per month than the cost of housing in Carroll 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 Carroll County needs to save \$174 per month for retirement. If this single adult waits until she is 40 years old, she would have to save \$288 per month and if she waited until she was 55 years old, she would need to save \$643 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 allows for more time to accumulate and 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>

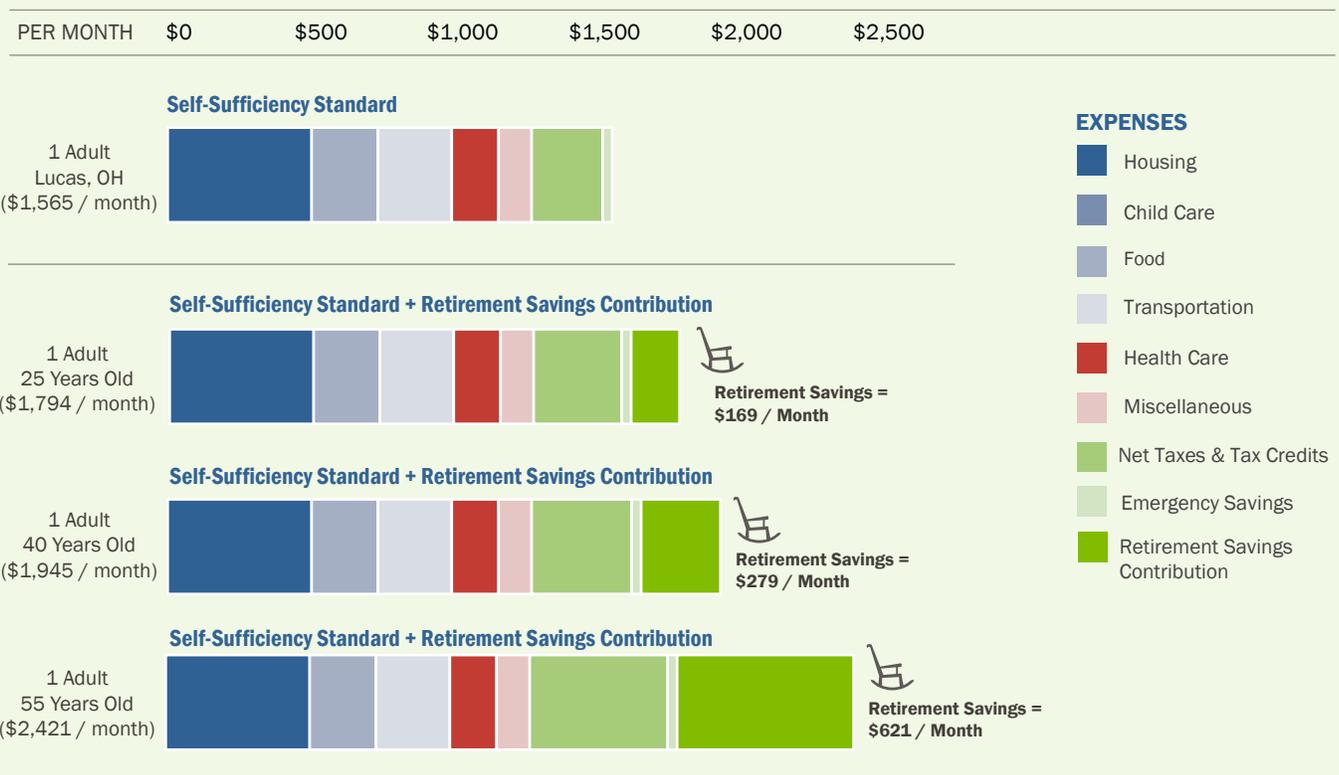


SCENARIO

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 Lucas County. The Self-Sufficiency Standard for a single adult, Susan Smith, living in Lucas County is \$1,565 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 \$169 per month, the amount she needs to earn to maintain her basic needs AND save for retirement increases to \$1,794 per month. However, if Ms. Smith is 40 years old and just starting to save for retirement she would need to earn \$1,945 per month to both meet her basic needs AND save for retirement. Notice 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 \$2,421 per month to meet her basic needs AND save for a retirement.

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 Lucas County, OH 2015



EXPENSE ASSUMPTIONS: Living expenses are based on costs in the Self-Sufficiency Standard. The 2015 Standard for one adult living in Lucas County is \$1,522 month (\$8.64 per hour) plus \$33 emergency savings. Hourly wage assumes full-time, year-round employment.

CONCLUSION

This report used *The Self-Sufficiency Standard for Ohio 2015* 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 Ohio the uninsured rate dropped from 12.3% in 2010 to 8.4% 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

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 Esti-

mates, "Table S2701: Health Insurance Coverage Status," Ohio, <http://factfinder.census.gov> (accessed September 29, 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/art1full.pdf (accessed April 15, 2015).

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.

As this brief summary suggests, achieving economic security is not only challenging, but is an effort that faces rapidly changing circumstances, reflecting

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/summaryoftheprietarycauseofthehousingbubble.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).

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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.

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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 family economic security.

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

ASSUMPTIONS	DATA SOURCES
POSTSECONDARY EDUCATION	
<p>Full time is defined as 30 credit hours annually; part time is 15 credits annually.</p> <p>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.</p>	<p>Tuition & Fees: Ohio Department of Higher Education, “Ohio’s Campuses.” https://www.ohiohighered.org/campuses (accessed September 24, 2015).</p> <p>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.</p> <p>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).</p> <p>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).</p>
ALTERNATIVE HOUSING	
<p>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.</p> <p>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.</p>	<p>Rent and Security Deposit: Housing costs from <i>The Self-Sufficiency Standard for Ohio 2015</i>, based on Fair Market Rents.</p>
HOUSING PURCHASE	
<p>Closing costs are assumed to be .807% of the loan amount (the average in Ohio for \$200,000 loan in June 2015). Closing costs include lender fees, third-party fees for services, and title insurance.</p> <p>Moving costs are based on a 3-bedroom home.</p>	<p>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).</p> <p>Closing Costs: Bankrate.com, “Ohio Closing Costs,” http://www.bankrate.com/finance/mortgages/closing-costs/Ohio.aspx (accessed August 3, 2015).</p>
RETIREMENT	
<p>All numbers shown for two adults are the total for both adults in the family.</p> <p>Life expectancy is assumed to be 22.1 at 67 for the 25 year old, 21.4 at 67 for the 40 year old, and 20.6 at 67 for the 55 year old.</p> <p>Cost of living is calculated using the 2015 Ohio Self-Sufficiency Standard adjusted for retirement.</p> <p>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.</p> <p>Expenses are assumed to inflate at a rate of 3%.</p> <p>Savings assume a 6% return on investment.</p>	<p>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).</p> <p>Retirement Age: Social Security Administration, “Full Retirement Age,” http://www.ssa.gov/retire2/retirechart.htm (accessed August 18, 2015).</p> <p>Social Security Benefit: U.S. Social Security Administration, “Calculators: Online Calculator,” http://www.ssa.gov/retire2/AnypiaApplet.html (accessed August 18, 2015).</p> <p>Cost of Living: <i>The Self-Sufficiency Standard for Ohio 2015</i>, 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-a-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).</p> <p>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).</p>

OHIO ASSOCIATION OF COMMUNITY ACTION AGENCIES

The Ohio Association of Community Action Agencies (OACAA) exists to support its members and to strengthen a unified Community Action presence in Ohio. Forty-eight agencies across Ohio's 88 counties strive to alleviate poverty and help low-income families and individuals reach self-sufficiency. For more than 50 years, Community Action Agencies have administered locally controlled programs to meet the unique needs of each community. With over 6,000 combined employees across the state, the independent 501(c)3 nonprofit organizations have administered over \$500 million in resources annually with a holistic approach for poverty solutions. Programs often include emergency services, early childhood and adult education, financial literacy, job training, housing initiatives, and much more.

For further information on Ohio Association of Community Action Agencies, go to www.oacaa.org or contact:

50 W Broad St, Suite 1616
Columbus, OH 43215
Telephone: (614) 224-8500



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

