GARY COMMUNITY VENTURES

Family Economic Mobility Research Summary

At Gary, we've made a commitment to impact the self-sufficiency trend in the Denver Metro Area at the population-level, by increasing household income, decreasing expenses related to housing and childcare, and building overall net wealth. Today, 1 in 4, or about 250,000 households, are not self-sufficient, meaning they do not have the means to cover their basic needs without government transfer. A closer look at the income distribution among this group reveals that the far majority are working families, earning between $35,000/yr and $70,000/yr, and simply not able to make ends meet. Given this, early calculations suggest that, to improve the current self-sufficiency rate from 73% to 85% in the Denver area, it would require (at minimum) $20,000 in improved cash flow (or effective income) for at least 100,000 families.

In our investigation of the barriers that stand in the way of self-sufficiency at this scale, corroborating studies affirm that efforts to increase wages, while urgent and essential, are unlikely to yield gains great enough to impact the self-sufficiency rate without equal and simultaneous attention to expense reduction and wealth-building opportunities.

As such, the following research proposes a dual Search For Solution, one that targets economic self-sufficiency & income growth in the near term, alongside a search that targets ownership mechanisms that enable wealth transfer and economic mobility in the longer-term.

Part I: Family Economic Mobility Context and Proposed Approach at Gary Community Ventures

Part II: Problem Investigation of Barriers to Work & Wages / Implications for Next Steps

Part III: Problem Investigation of Ownership & Economic Mobility / Implications for Next Steps

Part I: Family Economic Mobility Context & Proposed Approach to Problem Statements

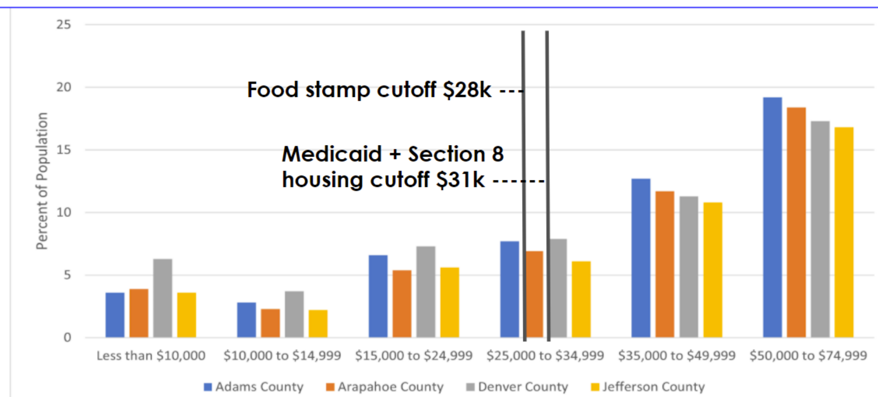
A mother with a preschooler and a school age child in the Denver Area needs over $65,000/yr to be self-sufficient. A married couple with the same two children needs at least $72,000/yr, a sum that accounts for the actual costs of food, housing, transportation, childcare, and healthcare by family type and geography. Drawing from the most recent Self Sufficiency Survey (2018) in conjunction with 2020 Census Data (specifically for Adams, Arapaho, Denver, and Jefferson Counties), 27% of households in the Denver Area, or about 250,000 households, live below self-sufficiency, and are not able to cover their basic living expenses without government transfer. For context, Median Household Income in the Denver Area is $70K/yr, which means many families with children who are otherwise considered middle-income comprise a meaningful portion of the population living below self-sufficiency. This, alongside the federal poverty level (FPL), provides an important reference for at least two reasons:

1) **Honest casting of economic wellbeing:** FPL is an historical marker of poverty developed by the Social Security Admin in the 60's, premised on an assumption that food should comprise 30% of household costs. While gov't programs continue to use this measure today, it doesn't reflect actual costs of living or serve as useful proxy for family economic wellbeing in any tangible way. As such the Self-Sufficiency Survey sets a much higher (usually about 300% of FPL) and more accurate bar than typically used for means testing by government and community programs. (GARY underwrites the Self-Sufficiency Survey conducted every few years by the University of Washington in conjunction with the CO Law and Policy Center.)

2) **Revealing of middle-income dilemma:** It's common to assume that families who lack sufficient resources to cover their basic needs must be low-income. The self-sufficiency standard forces a more complete understanding and (hopefully) public narrative about the growing number of working, middle-income families who simply cannot make ends meet, even with two jobs. As shown in the graphic below, there are far more families in this population earning over $35K than there are earning less than $35K, even though higher incomes disqualify families from public supports (such as food stamps and healthcare.) For context, we consider $16-$19/hr no-man's land, (this is ~$32K-38K) as it's the income level at which families begin to lose eligibility without enough wage exchange to make up the lost value.

Income Distribution

– 73% of metro households meet standard; 27% do not
~250,000 households live below the SSS (136,000 w kids)



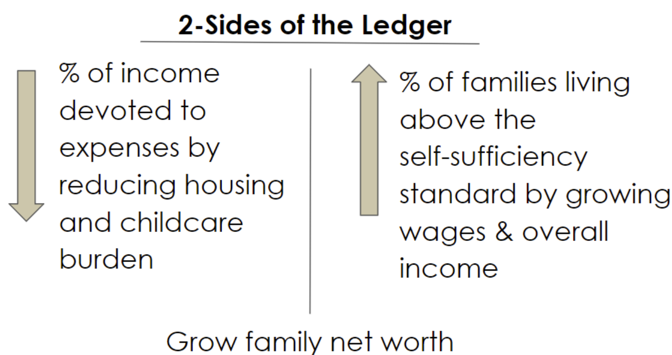
50,000 households

200,000 households

Demographic Insights: Who Are Our People?

- **Work Status:** A majority of families who fall below self-sufficiency are full-time employed, earning between $35K and $75K/yr. 90% have at least 1 wage earner.
- **Child Status:** A disproportionate percentage (53%) have children, compared to just over 33% of the general population. For us, this calculates to about ~136,000 households with children in the total 250,000 households that live below self-sufficiency.
- **Parent Status:** Of households with children, almost half are single parents, which complicates pathways to self-sufficiency compared to families with 2 wage earners. (At the $60,000 self-sufficiency threshold, a single mother needs to earn $31/hr.) This is especially relevant as we emerge from the pandemic only to find that single mothers lag single fathers, men without kids, and women without kids in returning to the workforce compared to pre-pandemic employment participation levels. This combined with the lifetime costs of raising a child to the age of 17 (over $280K) make the introduction of a new child to the family the third-leading reason women turn to traditional welfare programs, accounting for 22.9 percent of all "poverty spells."
- **Race:** Half of households living below self-sufficiency in the Denver area are white; half are persons of color. While this may lead some to diminish race as a factor, persons of color are significantly over-represented, as they comprise less than 30% of the population at large. Likewise, white households are comparatively under-represented.
- **Citizenship:** 84% of households living below self-sufficiency are US Citizens; 16% are not.
- **Housing Burden:** 3 out of 4 are housing burdened; ie, more than 30% of household income goes to housing.
- **Education:** 61% have some college experience; 23% have a 4-yr degree.
- **Age:** More than any other age band, there's a disproportionate percentage of young people 18-26 in this group, as this segment of households is early in their workforce experience and often have children.

Bending a Population-Level Trend | Strategy Implications for Gary Community Ventures



In pursuit of greater economic mobility for families in the Denver Metro Area, at Gary, we've made a commitment to:

-Increase the percentage of families living above the Self-Sufficiency Threshold, by increasing income and also decreasing expenses related to housing and childcare, and to

-Enable Net Wealth building for low-income families.

By way of headline math, based on current numbers, if we were to set our sights on growing the percentage of families in the Denver Metro Area who are self-sufficient from 73% to 85%, it would mean that at least 100,000 families would need to be $20K "better off" than they are today in combined increases to income, decreases to expenses, and net wealth building overall. This is a rough but useful estimate, in that it helps us understand the scope and scale of efforts required to achieve our goals, especially given that baselines have only ever worsened in the last 20 years, and we fully expect the percentage of families above self-sufficiency will again decline with the 2022 Self-Sufficiency Survey refresh.

Our First Search For Solution in Family Economic Mobility | Getting Started

In casting our Family Economic Mobility strategy, credit to Gary Community Ventures for declaring goals that focus our efforts on a greater number of families having what they need to thrive in the near term through higher income and lower expenses, and also, equal conviction for net-wealth building in the longer-term. No doubt our opportunities to catalyze the most good will require creative ideas and solutions that (hopefully) allow us to pull more than one lever at once, such as job training that includes childcare supports, or affordable housing that offers ownership stakes to residents.

In this vein, there's important connection and distinction between efforts that immediately address self-sufficiency, and efforts that grow wealth over time.

Economic Self-Sufficiency, for our purposes, means having the near-term economic resources to provide for one's self and family without government transfers. Most simply, it boils down to family cash flow, and whether income exceeds daily expenses for essential human needs such as food, housing, childcare, healthcare, and transportation. Self-sufficiency enables a choice-filled instead of choice-limited daily experience, strengthens healthy childhood development, and helps stabilize families against uncertainty and crisis.

Wealth Building refers to the cumulative assets a family *owns* over and above what it *owes*, which can ideally then be transferred to the next generation. Net wealth (and transfer) is the primary determinant of economic mobility in the United States, largely deciding the extent to which a family is able to 'change their station in life' and become better off from one generation to the next. Wealth-building is surprisingly unrelated to short-term income, and more determined by participation in appreciating investments that compound over time. It is the key differentiator between families that break the cycle of poverty, and those who do not.

Family Economic Self-Sufficiency	• Financial Defense: Stabilizing • Responsive to Immediate Needs • Measured in Short-term Cash Flow	Family Wealth-Building	• Financial Offense: Mobilizing • Future-minded Lever; Advances Economic Justice • Longer-term Compounding Assets

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An Intentional Shift from Sequential to Concurrent Strategy

Entering the research on Economic Self Sufficiency and Net Wealth Building, there is a logical assumption that for any family, the strategies for each would have to be sequential. (ie, Families must first achieve self-sufficiency if they are to then set aside money to participate in ownership and investment opportunities that lead to wealth building.) Wrestling with the trappings of this assumption, best case, Gary's window to tackle wealth building inside the next 12 years could be quite narrow if self-sufficiency is a prerequisite. Worst case, Gary might never get to it at all.

Thankfully, several proven but lesser known pathways to equity and ownership opportunities for low and middle-wage earners have emerged in the research, *which are not predicated on family income,* such as Employee Share Ownership Plans, Resident-owned Communities, Renter-Equity Distribution options, etc., not to mention less formal investment practices families already pursue *even while they have little money to set aside after living expenses each month.*

This insight, and the possibility of concurrent (instead of sequential) strategies, leads me to advocate strongly that the proposed Gary Angle be: urgency for the immediate economic well-being of families through wages and other income, nuanced alongside a clear understanding that wealth-building through appreciating long-term assets is by far the greatest chance any family has at sustained economic mobility.

For this reason, we propose a dual problem statement that addresses both family economic self-sufficiency (family economic 'stability' for ease of use) as well as wealth-building, or 'ownership of assets that grow in value over time' for the upcoming Search For Solution.

Part II: Problem Investigation of Barriers to Work & Wages

In contrast to our parent's generation, we live in a world where a full-time worker at $15/hr is earning less than half of what she needs to support two children in the Denver Area. It isn't surprising then, that public debate gravitates toward wages, and an enduring value for hard work as the means by which the American Dream can come true for all. This view, however accurate it once was, doesn't account for new factors at the global and local level that specifically inhibit wage growth for working families. This is a hard truth to reconcile in Colorado, as our local economy is recovering stronger and faster than we might have ever hoped after the pandemic.

Cognizant of our need to find $20,000 in "effective" income for each family to impact our self-sufficiency goal, the following examines barriers that complicate longer-term assumptions about wages as the sole source of income, not just for low income families, but for those in the middle class as well.

"The only difference between people who live above the poverty line, and those who live below it, is money." ~Milton Friedman

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Barriers to wage growth are many, be it transportation, criminal records, language fluency, benefit cliffs, or debt, just to name a few that are very real. In our research of the truest root problems however, four are elemental, and examined in further detail below:

1) Global / Structural Barrier: The Great Decoupling of wages and income from GDP and Labor Productivity, leading to a narrowing set of skills and competencies over time capable of garnering a self-sufficient wage;

2) Local / Structural Barrier: The calcification of employment strata that keep low and middle income families from advancing, including a continuous inflow of highly-qualified, well prepared workers that outcompete our local workforce;

3) Local / Structural Barrier: Workforce preparation & automation. Limited returns from higher education, as well as non-traditional job training and skill growth programs for low and middle income families, relegate working families to low-paying jobs at highest risk of automation.

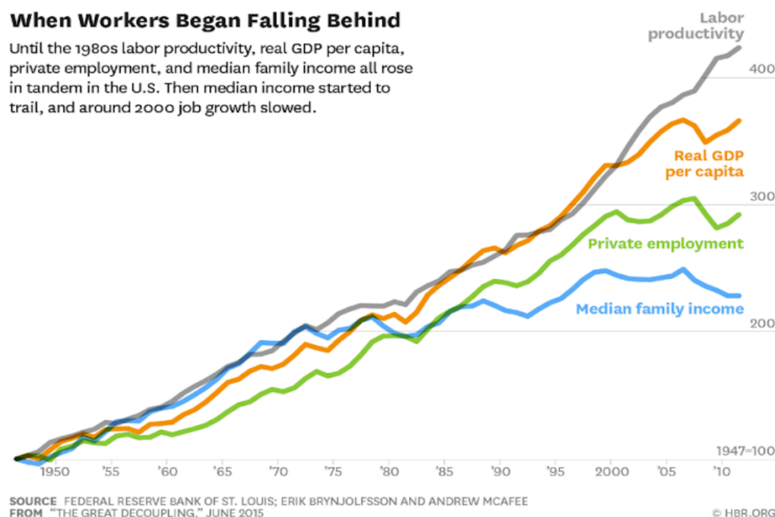
4) Cultural Barrier: The understandable discouragement, risk aversion, and lack of self-belief that stands in the way of low and middle-income workers 'betting on themselves' and investing in a better future for their families.

1) The Great Decoupling

Macroeconomic trends portend the role and value of workers in the future will look very different than we've experienced in the past. Unfortunately, the instruments we most rely on to measure economic strength, productivity, and overall prosperity count labor as an input, not an output, and therefore do not reveal the diminishing returns to labor which newly began in the late 80s. In fact, for those without college degrees, median wages, for the first time since the Industrial Revolution, fell between 1979 and 2019.

The role of automation is key, as it allows labor productivity to trend upward even as the role and cost of (human) labor inputs decline. We must come to terms with a truth that looks different than historical baselines: starting in the last 30-40 yrs, for the first time, automation began displacing more jobs than it creates. This is a factor with exponential impact for all workers, but most urgently for low and middle-wage earners whose jobs are often more manual, repetitive, and rules-based---things computers and machines can be programmed to do more accurately, at lower cost, and without the vulnerabilities of human labor, laid bare by a global pandemic. The Wall Street Journal reports that 80% of some 440 corporate execs surveyed in mid-2020 said that had newly-implemented some form of robotic process automation in the last year.

Income Barrier: What You Can't See



-The 'Great Decoupling' at left was published by The St. Louis Fed in 2015, and is corroborated by research in the MIT Journal of Economics among others.

-Note the braided slope of Family Income, Employment, GDP and Productivity up until the late 80s, which begins a flattening of employment and family income even as the other trends continue upward.

-Economists attribute the unbundling to a combination of 1) The growing role of automation: Labor productivity climbs as returns to labor diminish, 2) The advent of the WTO, which brings unlimited low-skill labor supply to bear on US markets, suppressing wages, and 3) Changes to federal regs re: corporate governance and compensation that loosen limits on accumulation of wealth by owners and managing boards.

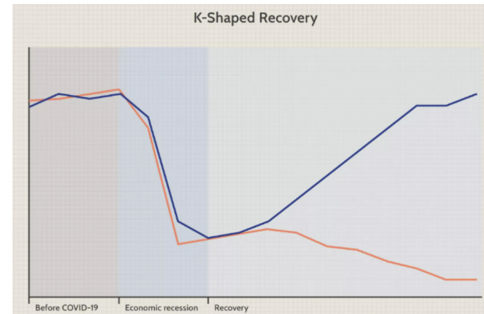
Implications:

For a few: automation raises the premium on high-order cognitive skills in advanced and emerging economies. These skills include **complex problem-solving**, sociobehavioral skills such as **teamwork and relationship management,** and skill combinations that are predictive of **adaptability** such as reasoning and self-efficacy.

For the many: automation reduces the overall labor share in the economy (meaning that it leads to fewer jobs and slower wage growth even as productivity expands.)

1) Employment Strata Barriers

The global effects of automation and the macroeconomic collapse of middle-income jobs couldn't seem further from reality in Denver, CO. Our local economy has long outperformed national trends, attracting new companies and the high-paying jobs that go with them. This has (thankfully) insulated wage losses compared to other cities, even amidst the Great Recession and more recently, the pandemic, all bolstering our sense of economic wellbeing.



The K-Shaped Recovery Curve of 2021 tells our story well. 75% of workers here are as well or better off than they were going into 2020, which largely masks underlying barriers for lower and middle income workers. Unfortunately, families in the middle and lower-income brackets fall squarely on the 'lower arm' of the K---these are the 25% households in the Denver area who comprise our non-self-sufficient group, again, about 250,000 households. [During the pandemic, 80% of job losses nationwide occurred in the lowest quartile of wage earners.](#) Implication: The recovery slope for the group we're committed to advancing continues to trend downward, even as overall measures of economic prosperity (like State Domestic Product and Labor Productivity) climb---not dissimilar from the macroeconomic trend above.

2021 Colorado Business Economic Outlook

Colorado Economic, Employment, and Population Outlook

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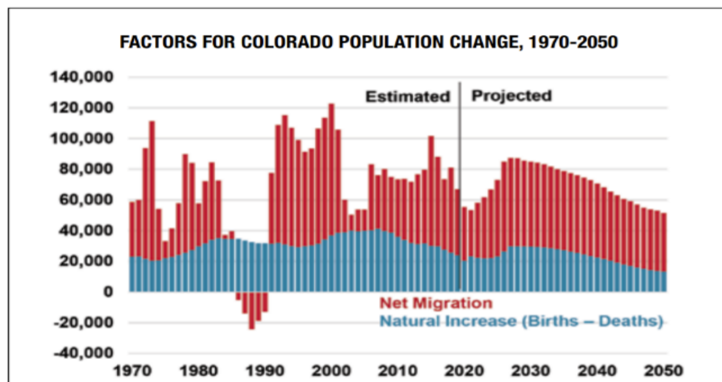
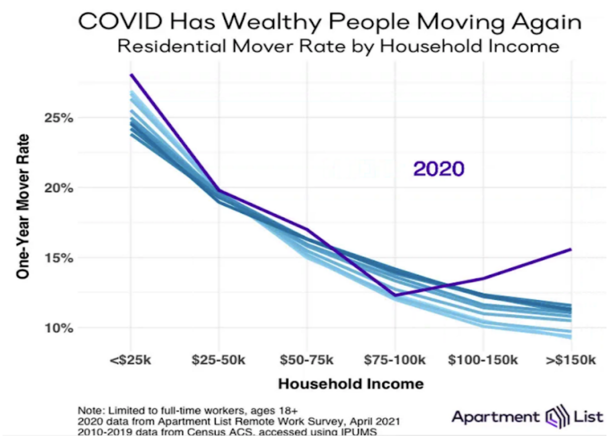


Further calcifying employment strata, Colorado has stunning aptitude for attracting highly-qualified labor from outside the state. Local workers aren't just competing with one another for good jobs, but with the best-prepared talent in our country. Steady population growth in the Metro Area over the last 20 yrs, (~45,000 new residents/yr,) is only a partial signal. A closer look at the inflow through a workforce lens reveals that incoming workers (in red) are more than double, (and maybe triple) the size of our resident workforce, shown in blue. Implication: our economic and workforce growth is made possible without significant reliance on local, middle-income workers who struggle to outcompete the steady wave of incoming talent for Denver's best jobs.



A fascinating 2020 workforce mobility analysis released by ApartmentList.com suggests the conditions for in-migration will only improve post-pandemic (and explain a bit of our housing crisis as well.) At right, each blue line is a year in the decade leading up to 2020. Then, in 2020, a sudden J-Curve emerges among earners $75K and up as workers became remote. Implication: for the first time, many high-earners previously tethered to the coasts can now live in Colorado without having to change jobs or risk a pay cut.

2) Workforce Preparation & Automation Barriers

Casting our attention upstream, and confounding our workforce competitiveness challenges, Colorado has consistently lagged the nation in post-secondary enrollment and completion. While traditional college degrees are still the most reliable predictor of income on the whole, a 2021 report just released by the CO Dept of Higher Education shows the rate of college enrollment among high school graduates has remained about the same for the last decade, hovering at 56% of grads enrolling in post-secondary courses, compared to 69% nationally. Nevertheless, and confirming of the sheer scale of workforce inflow discussed above, Colorado remains the second most educated populous in the nation, per capita.

2021 Colorado Business Economic Outlook

Professional and Business Services

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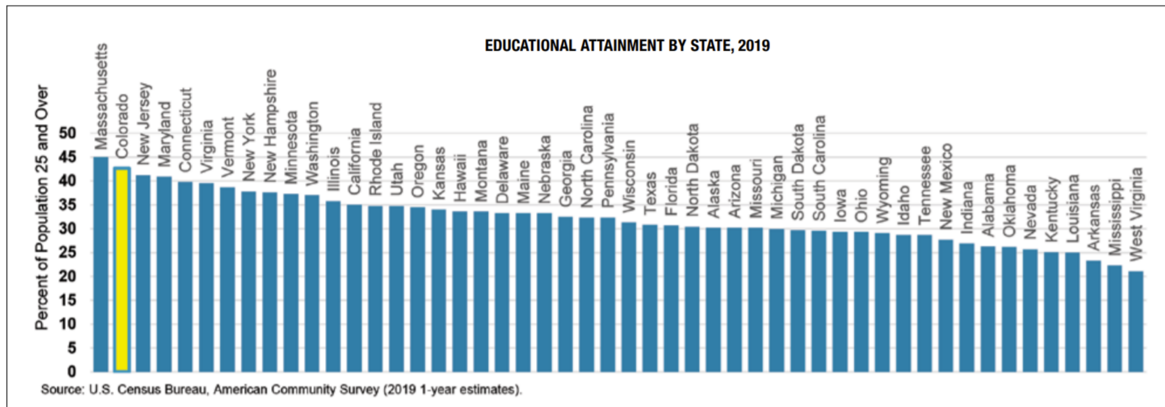
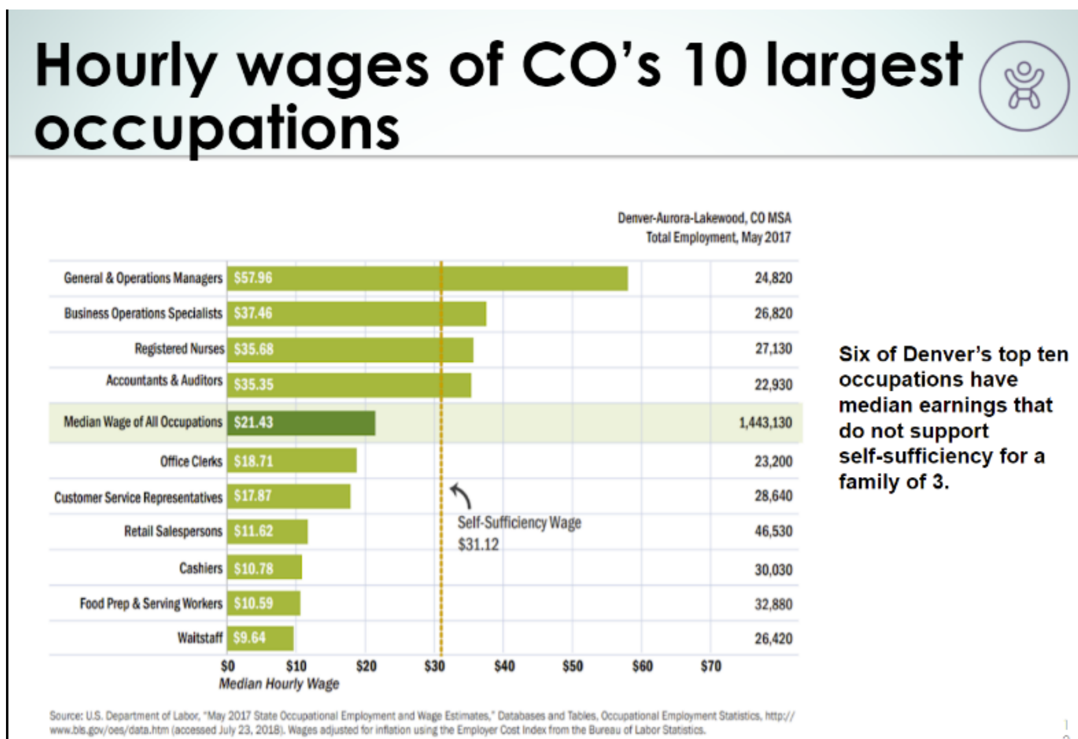
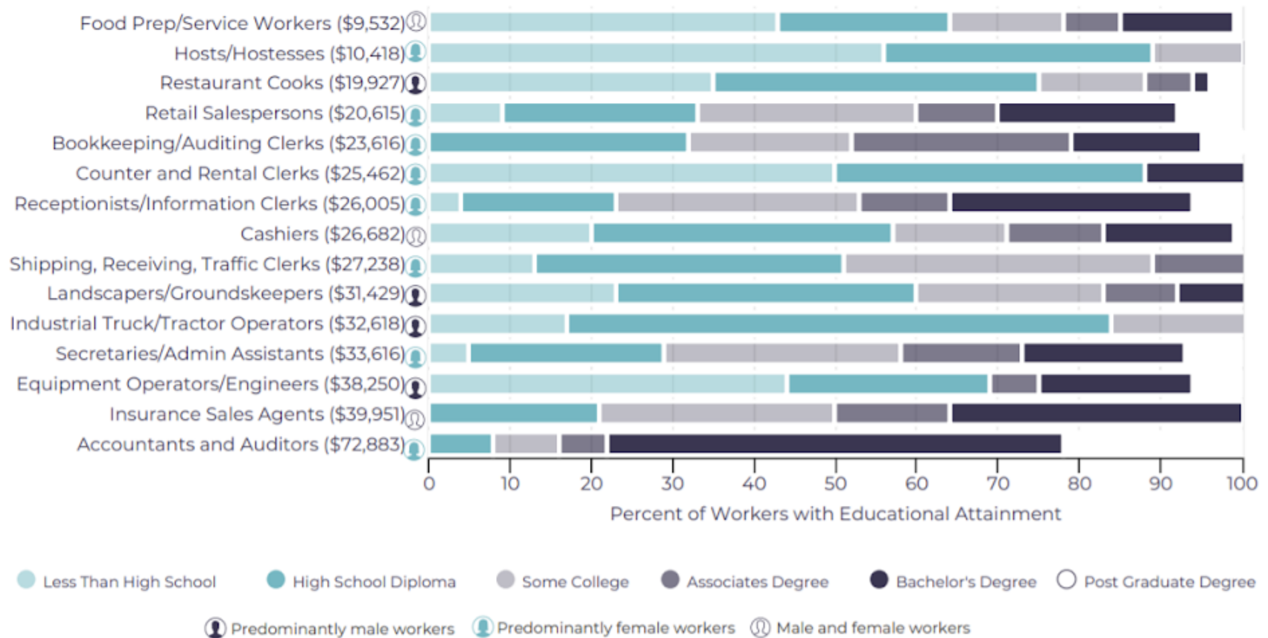


This bodes poorly for local graduates, who aren't just matriculating at low rates, but even when they do, are up against the most qualified labor competition in the country. What becomes of those who don't graduate or can't compete? They are relegated to the jobs most available in the Denver area, and those are specifically jobs that do not pay wages sufficient to support a family.



Coming full circle, it isn't just low wages that present the greatest barrier to self-sufficiency, but the intensified propensity for automation among these job categories specifically. According to a Bell Policy study released in 2018, 1.1 million Coloradans work in occupations at risk of being automated. 15 of those occupations are at 90% risk of automation, and employ 300,000 people in the Denver Area. Reinforcing the threat to low and middle-income families alike, several of these occupations at near-term risk of being eliminated, in households with two workers, produce annual earnings above the median area income ($70,000.)



3) Cultural & Belief Barriers

Only after conversations with many of Denver's most committed program leaders and community members themselves did it become evident that, even if perfectly-designed opportunities with all of the right supports and incentives were to become widely and readily available to families seeking wage growth, a key barrier to their participation is sense of belief in self and worthiness of a better life. This is thematic in the compilation of stakeholder and community perspectives below, with other insights included as well.

<u>Stakeholder & Community Perspectives</u>

Dave Runyon, Business Leader, Pastor, Program Leader

- *For poor and working families, **the 'give up' factor** is overwhelming. People feel stuck and defeated and need convinced that they should try yet again.*
- *Low income and **working poor families are to be trusted with money**. Many times I've leveraged church funds to help out in an emergency or to pay off debt, and every time, been repaid.*

- ***Debt ruins people**, and we set them up for it again and again.*

Jason Janz, ED of CrossPurpose

- ***Self-sufficiency is a high threshold** that can feel **defeating and out of reach**--intermediate step should be positive cash flow. Community members need help making a **family budget and a plan for eligibility cliffs**--especially single moms who are thrown into crisis when their wages go up and they lose Medicaid.*
- ***Sense of community / belonging key to belief in self**; not respectful or dignifying to address job skills before understanding who people are, what they've been through, and what their family needs.*
- *Participants often **don't believe they can do it** and need lots of coaxing; journal, meditation, healing--**social capital building and relationships are the secret sauce** to moving people forward.*

Jessica Hansen, Dir of Jeffco Prosperity Project

- *We set out to **organize public services around the needs of families**--immediately formed a Family Voice Advisory Counsel.*
- *It's all about seeing families for their strengths; believing they have tools for success--**mindset shift is key not just for families, but for public servants**.*

Jeff Johnson, ED of Mile High Ministries

- *Eastside Denver neighborhoods have lots of programming for youth, but our community talks about **the 'black hole' that swallows people when they turn 18** and have nowhere to go.* (Our self-sufficiency data backs this up.)

Jeff Haanen, CEO Denver Inst for Faith & Work

- ***Employers need and want practical tools for helping their employees** and making a difference in the world--beyond virtuous marketing and brand image. They actually don't know what to do.*

David Levy of MobilityNext, Smart City Concept Leader

- *We were taken off guard by **transportation as a major barrier**. People take jobs according to their best transportation options as much as any other factor. **Employers have no idea** this is in the way.*

"Emma," Assistant at The Parlour Salon

- *I know I'll have **debt** after cosmetology school, but **not really sure how much** or even what a good hairdresser makes. I guess I'll just figure it out---things always work for the best.*

"Lynnae" RMMFI Micro-grant Program Participant

- *The **coaching and mentorship** have meant the world to me. The chance to **help my family** and do it as my own boss is really exiting. Until now, **no one has ever really asked me what I wanted**.*

"Andre," Home Technician for Mr Appliance, 22 yrs old, POC

- *All my friends were getting **so much debt in college** and didn't have good jobs when they finished. I decided to do this training program where they paid me $15/hr and **gave me benefits**. Now I make $25, and **if I learn to weld, they will pay me $30.** I'm real glad I didn't go to college. **I have kids** and this job is pandemic proof.*

Key insights from 10 low-income families residing at Hope Communities (Informal survey made possible by GARY research intern, Laura Tran, who is also a Resource Navigator at Hope Communities.)

- *We would need a good place for our children, and probably higher pay to consider leaving the jobs we have now. But even then**, it would be too scary**. What if it didn't work out? **What if we lose our healthcare?***
- *I **don't have a way to get to a different job**, even if it was a better, **I wouldn't know anyone** there. It wouldn't be worth it.*
- *My community **doesn't understand how** to do something different, so **we just stick together and do what we know.***

Taken together, where does this leave us?

1) Honest about long-term wage trends: Whether because of macroeconomic pressures and automation, or the seemingly endless supply of qualified labor competition, we must be clear-eyed about the possibility that a growing number of hard working families over time will not be able to earn self-sufficient wages. As such, we must seek solutions that increase wages, and also, open the door to supplemental income ideas and recommendations.

2) Capitalizing on near-term prosperity: Cognizant of barriers for low and middle-income families, the health of Denver's local economy allows us to approach wage growth from a position of strength nonetheless. Even if there will be fewer 'good jobs' over time, Denver is uniquely generating 'good job' opportunities now, and we shouldn't miss the chance to help more workers access them. Again, we hope our Search for Solutions unearths a multitude of high-quality programs and ideas.

3) Entering with right-sized expectations: To date, the most exhaustive study of workforce skills training programs suggests the best produce $5K-$8K in sustained wage growth. While we think there are a few local programs that could beat those numbers, we should set a high bar when it comes to growing what works. Early research has led us to the following (initial) criteria:
    a. <u>Employer Linkages</u>: Programs have to be tightly aligned to the demand side of the labor market; if employers won't hire someone, the program is useless
    b. <u>Strong Starting Wages & Growth Potential:</u> Programs should aim for no less than $20/hr starting wages (given cliff effects and larger self-sufficiency thresholds), be primed for future wage growth, and ideally be training into pathways that are most automation-resistant
    c. <u>Holistic:</u> Programs should put an emphasis on social capital and other necessary wraparounds to acknowledge and support unique cultural, economic, and social-emotional needs of workers

d. Evaluation: Programs should have strong systems for evaluating their efficacy and/or be utilizing evidence-based programming
e. Financing: Shared financing that minimizes up-front cost & debt risk for learners while incentivizing job program and employer performance
f. Demonstrated Community Interest, specifically among the low and middle income families we aim to advance in the Denver Area

4) Platforms as the path to scale: while it will be very interesting to seek input and learn from the nation's best skill-growth and employment programs, (and potentially important to directly fund those delivering outsized results here in the Denver Area,) the most strategic play for Gary (eventually) is to ensure preconditions that uniquely enable and attract the best programs to thrive in Denver. For example, there have been early brainstorms re: a revolving loan platform that could defray cost and risk away from students while providing up-front capital to excellent training programs and hiring incentives for employers. This sort of arrangement would both incentivize the job training and alternative credential marketplace, while minimizing debt risk for students.

5) Poised for future public policy engagement: Monthly distributions associated with President Biden's temporary increase to the Child Tax Credit ($3,600 for children 6 and under / $3,000 for kids under 18) went live in mid-July 2021. How and whether it continues in the long run (and how it interacts with Colorado's new state-level child tax credit) may lead Gary to take policy position on this, or other initiatives that push for more progressive tax structures and wealth distribution.

Part III: Problem Investigation of Ownership & Economic Mobility

Income (mal)distribution gets a lot of play, understandably. Denver's top CEOs in Colorado earn 94X the median annual pay of their employees according to 2018 filings from nearly three dozen of the largest companies in the state. In other words, it takes them just 3 days to earn as much money as the typical worker at the same firm does in an entire year. Surely, if we wanted to tackle wealth-building for middle and low income families, wages must be the primary lever, right?

While the critical importance of economic self-sufficiency—the ability of families to access enough resources to cover their basic needs on a daily basis—cannot be overstated, income is not the main factor in long-term wealth building. Never more important than during the pandemic, wealth is the difference between what a family *owns* in terms of appreciating assets, and what it *owes* in debt. The net balance, and ability to borrow liquidity against appreciating assets, is another means by which families could be meaningfully shielded from financial downturns and unplanned events without being thrust into crisis. As importantly, it decides whether there's the potential to transfer wealth from one generation to the next, which research confirms is the single greatest determinant of economic mobility in the United States.

Reemphasizing the demographic composition of households living below economic self-sufficiency in Denver, the majority are middle-income earners, half white, and half persons of color. And, because households of color are over-represented in the population nearly 2 to 1 compared to the state overall, the impact of racialized barriers to wealth-building can't be minimized. For example, even though Black households command $1.2T in spending power each year, Black Americans today own just 1.5% of national wealth---up less than 1% since the Emancipation Proclamation of 1863. (https://www.washingtonpost.com/outlook/2019/06/19/why-racial-wealth-gap-persists-more-than-years-after-emancipation/) This serves as a poignant and empirical example of how growth in wages and spending power alone does not automatically lead to wealth building. Without access to appreciating assets and ownership share, a family's standard of living will not change. Put simply, wages do not multiply, investments do.

The problem investigation below finds that what stands in the way of broader participation from low and middle income families isn't just money, isn't just a hopelessly complex financial sector, isn't just financial literacy, but perhaps most insurmountable to date, an ownership mindset and behavioral shift among those who currently do not participate in long-term asset growth. As stated by Hill Harper, founder of the app, The Black Wall Street, "Without a reorientation to ownership, there's virtually no limit to the extraction of wealth from vulnerable communities who have meaningful purchasing power, and no way to retain and reinvest its value." Those with ownership share will continue to make and concentrate wealth at the expense of those who do not. As such, our mission is to uncover and enable paths to meaningful participation, not just to ensure that families move forward, but to keep them from falling further behind.

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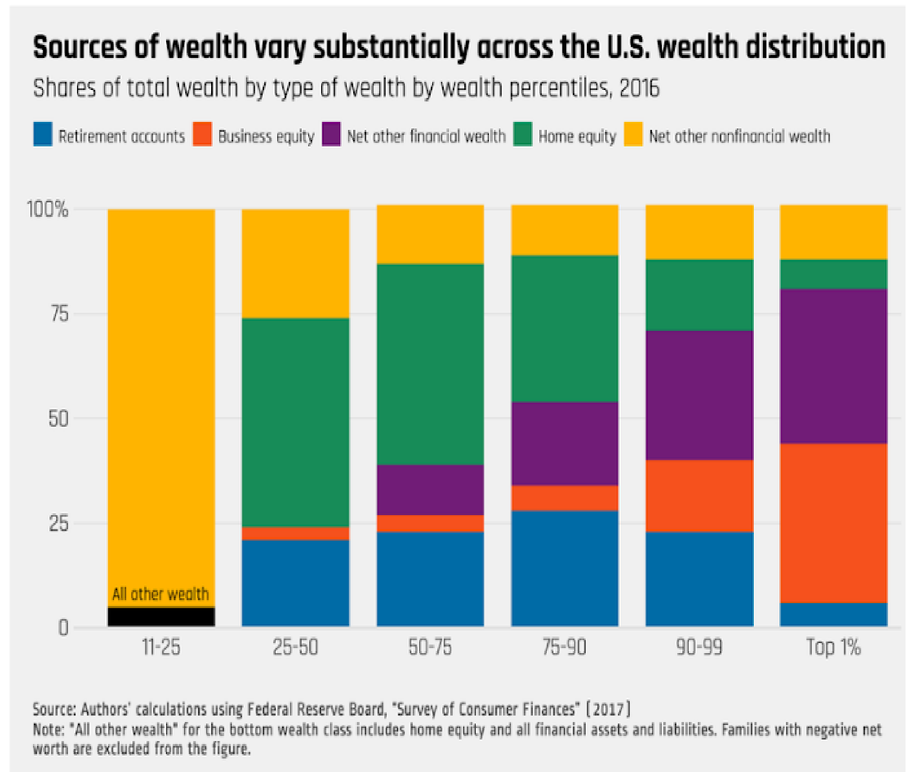
Overview of Low Wealth vs High Wealth Asset Distribution

Few graphics better reveal the contrast in financial behaviors between low-net-wealth households and high-net-wealth households than that shown below. Released by The Federal Reserve Board in 2017, each column represents a quintile (20%) of wealth-holders, organized from left to right. As such, the far left column reflects the asset composition of the 20% who own the least wealth, while the 5th column reflects the asset composition of the 20% who own the most wealth. (The last column on the right is a drill-down analysis of the top 1% of wealth holders for illustrative purposes.)



A few key insights:

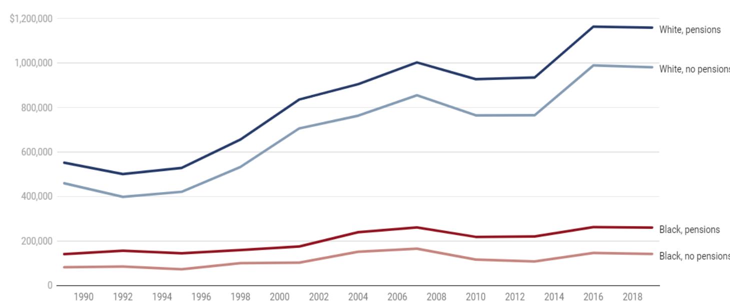
-The lowest quintile of wealth holders have no appreciating assets. All resources are held in cash and pass-through spending and debt that does not produce lasting gains.

-Employer-funded retirement accounts and home ownership are the most common 'gateway' opportunities for wealth-building, as evidenced in the second column.

-The most significant difference between lower-wealth quintiles and higher-wealth quintiles is the presence of business equity and financial investments (shown in red and purple in the 3rd-5th columns) that appreciate and compound over time. Research confirms that in fact, these are the greatest multipliers of wealth, and likewise the greatest cause of wealth maldistribution, as very few lower and middle class families participate in these types of investments.

The racial wealth gap has remained large and often widened over past three decades

Average wealth with and without defined-benefit pensions for Black and white households, 1989 to 2019



Note: All dollar values are in 2019 dollars.

Chart: Center for American Progress •
Source: Authors' calculations based on Board of Governors of the Federal Reserve System, "Survey of Consumer Finances (SCF): 1989, 1992, 1995, 1998, 2001, 2004, 2007, 2010, 2013, 2016, and 2019," available at https://www.federalreserve.gov/econres/scfindex.htm (last accessed February 2021).

Played out over decades, there's little reason to expect that the wealth gap will not continue to expand without a dramatic behavioral shift among households that currently do not hold appreciating assets.

https://www.americanprogress.org/issues/economy/reports/2021/03/19/497377/eliminating-black-white-wealth-gap-generational-challenge/

Barriers to Wealth Building: In examining what stands in the way of wealth building for low and middle income families, three fundamental, and highly inter-related barriers emerge:

1) Structural Barrier: A Lack of Access to Capital, poses a triple threat to ownership and equity investment potential for working families, because it
   - Weakens Initial Buy-In: Families living below self-sufficiency do not have positive cash flow, and therefore have limited opportunities to 'buy into' appreciating assets and equity share arrangements unless granted unique access or seed capital for this purpose. Needless to say, fair-market borrowing potential is limited.
   - Threatens Ability to Hold Assets: Wealth building requires long-term asset appreciation. Owners must be able to hold their assets to reap multiplied returns. Without access to capital, even in small distributions, working families have no liquidity to absorb unplanned events or cover unexpected costs short of "cashing out" and forfeiting the asset. This is where the self-sufficiency problem overlaps the wealth-building problem.
   - Multiplies Debt Burden & Drains Wealth from Vulnerable Communities: Families with no other options turn to payday lending, credit borrowing, and other predatory business models that specifically target lower-income communities and 'non-prime' customers, driving them further into debt while extracting millions in interest rates from the most vulnerable communities. Look no further than record-breaking years for several public-traded high-interest online loan providers who reaped the rewards of families using their stimulus money to pay down debt. https://www.bloomberg.com/graphics/2021-payday-loan-lenders/

2) Structural Barrier: High Friction & Barriers to Entry which discourage first-time participants to the ownership marketplace. The financial sector is infamous for commoditizing complexity. When it comes to pursuing equity in ascending value assets, cumbersome trade instructions, tax implications, regulatory guidelines, and public access to transactional platforms practically guarantee the need to pay professionals whose primary value-add is to navigate an unnavigable system. This leaves would-be investors in the formal investment marketplace with uninspired options: educate oneself on a space specifically designed to prevent your casual participation, or pay rents on top of your costs of investment. For those who aren't deeply convicted (and resourced), the deterrents are countless, not to mention the trust and culture norms that do not easily extend from Wall Street to kitchen tables. Unhelpfully, fewer than 3.5% of Certified Financial Planners (of 80,000) are Black or Latinx.
   https://www.forbes.com/sites/nextavenue/2018/06/12/minority-financial-planners-nearly-nonexistent/?sh=65ccb294d9cb

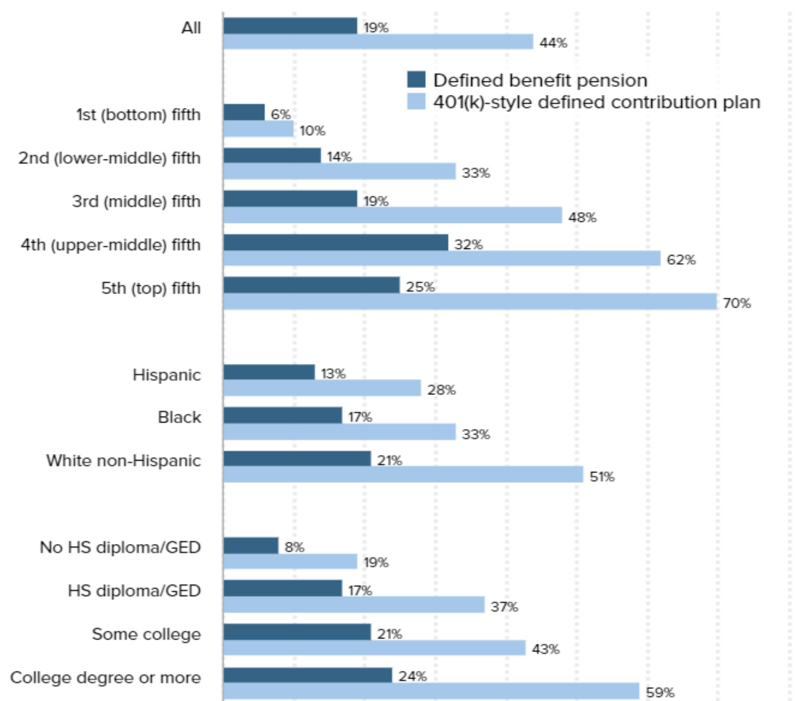
   While we shouldn't limit wealth-building to formalized investment channels, working families who may not have the time, resources, or interest in finding their way through a foreign system have natural incentives to seek out more accessible, short-term, tangible, and sometimes volatile assets, which may unintentionally multiply financial risks for those who can least afford to take them.

3) Cultural Barrier: Ownership Knowledge & Mindset, that produces different choices and preferences for savings, long-term planning, and informed borrowing.

"The number one barrier for working families is a vision for themselves. When you don't own anything—not your home, your company, your time, your main street, or any part of your community—it's hard to own a sense of your place in it."

~ Rob Smith, CEO of Rocky Mtn Micro Finance

Basic financial literacy is not required learning in Colorado high schools (yet.) 50% of Colorado families do not have $2000 in the bank to cushion an emergency. Half of minority households in CO are unbanked / underbanked. The knowledge gap is just the beginning of mindset and behavior shifts that undergird real opportunities to position working families for economic mobility. Without this, even with affordable, streamlined pathways to appreciating assets and equity share, there's no guarantee that families living below self-sufficiency in Denver would choose to participate.



The graphic at right offers helpful insight into the degree to which income, race, and education influence the likelihood of future-minded planning for retirement. While this is not a complete picture of wealth-building choices, it's a cautionary proxy for our work, as it reminds us that the community we would most want to engage is the least likely to proactively pursue even the most widely known and common planning tools unless they are invited to be a part of building it.

Stakeholder & Community Perspectives

Mateos Alvarez, El Alba ED / Aurora Economic Opportunity Coalition, POC

- *Our community survey finds overwhelming support for **local start-up businesses** to join forces and recover blighted building and provide jobs / income to neighborhood. We **want to own our investment / share cost burden and profits together thru coop model.***

Rob Smith, ED of Rocky Mtn Micro Finance

- *The consequences of failure for working families are very high--trade-offs to lost income are dramatic. **People can't take risks on themselves** because they fear **failure and debt**. They need front end, risk-free capital to bet on themselves. Privilege allows you to take risks, and **you can get further when you can afford to fail.***
- *People are **too busy surviving to learn** or sign up for something new. Can there be ways to **provide security and supportive benefits to for people who want to go out on their own?***

Theresa King, Public Employee, 27 yrs old, Wife and Mother, POC living in Aurora

- *I've got an idea to **start my own thing**. I'll keep my real job and benefits, but I really want to start a t-shirt printing and design company for extra money. **I need a loan to get started**, and the **banks won't help me** because I have too much student debt. **I didn't know my associates degree would cost me more than $80K**.*
- *The **child tax credit is going to change our lives**. We would love to find a bigger apartment if we could, but everything **is over $2000/month** now that we make more than $55,000 together.*

Local Rental Apartment Property Owner

- *If I thought there were ways to **set up our rental business to share equity with our tenants**, I would look into that. I would need help understanding how to do it.*

Local Small Business Owner

- *I believe in free markets and the power of small business to power the economy, but we need to **do better by our workers,** and that means making different choices about how to help them meaningfully advance. I**'ve made benefits and profit sharing part of our ethos.** It's really hard at first, but every time I had a little bit more money, I put it there.*

Young, SIngle Mother

- *I wish there had been a way for me to understand how ownership works sooner. My parents didn't own their house, and **I don't know how to get started.***

Local Business Executive

- *Our employees can't live within 30 minutes of their jobs. There has to be a way to **leverage a housing deal as part of their benefits,** that actually allows employees to grow their net worth.*

GARY COMMUNITY VENTURES

Taken together, where does this leave us?

1) At Gary, we can't take our biggest swing at family economic mobility if we aren't proactively seeking out access to appreciating assets and equity share for working families. And, precisely because we seek pathways for families living below self-sufficiency, we must hold standards that are appropriately protective of and customized for this group. Proposed criteria for ownership/equity-building pathways include:
    a. Ideas that limit / distribute risk away from participants.
    b. Avoidance of deferred wages as requirement of participation. While the advantages of 'forced retirement' savings through opt-out 401k-type accounts are proven, such options are less optimal for working families who do not have enough cash flow to cover their basic human needs. We shouldn't ask families to become 'worse off' on the path to becoming 'better off.'
    c. Maximum portability. If you can't take it with you, it isn't yours.
    d. Allowances for borrowing against assets to buffer emergencies without being forced to sell.
    e. Ease of use & no income cliffs or disincentives.
    f. Demonstrated demand / uptake/ interest from working families—especially families of color.

2) Given Gary's strategic investments in first-time home-ownership and Elevation Land Trust, a search for solutions to wealth-building is ideally a chance to build out a continuum of 'ownership pathways' that precede home ownership and more traditional investment options.

3) If we build it, they (probably) won't come. It's not enough to design ownership and investment pathways that work technically, they also have to work culturally, in, by, and for the community. As such, Gary will need to explore co-creation, and likely, work through existing, trusted, credible community partners to invite participation.

4) Optimally, we're looking for ideas that 'convert' current spending into wealth-building pathways. For example, we're aware of proven models / financial vehicles in the employment and housing space that confer ownership and equity options to workers / residents with little 'additional' cost to participation. Several are summarized in the tables below, but the list is far from exhaustive, ie, it's reasonable to include the funding of portable accounts and entrepreneurship programs as wealth-building options as well. For this reason, we hope this Search for Solutions might uncover any number of creative ownership mechanisms and recommendations that anticipate any combination of formal structures while also leaving room for less formal arrangements and alternative asset classes and ideas.

   (Tables included below outline ownership models for housing as well as employee equity.)

GARY COMMUNITY VENTURES

Housing Equity Concept	How it Works	Benefits & Risks / Cons
Housing Coop | Resident Owned Communities (ie mobile home parks) Financial Times | Why Big Investors Are Buying Up Trailer Parks https://www.ft.com/content/3c87eb24-47a8-11ea-aee2-9ddbdc86190d	-Homeowners form non-profit business / cooperative to pursue a common goal under democratic structure. -Members of the coop purchase shares which correspond to a particular property, and which gives them the right to live there. -Ownership is in the coop, not in the property In cases of mobile home parks: -Each household is a member of the cooperative, which owns the land and manages the community. -Members own their homes individually, and an equal share of land beneath the entire neighborhood.	**Bens** -No profit margins; rent averages 20-30% less than market; agreed allocation for maintenance -Power building: tenant protection & voice, No risk of sudden eviction -Members liable only for their share -Members can claim similar tax exemptions as homeowners (in most states) -Happier residents, higher-quality properties **Risks / Cons** -Cap on equity--can't sell for as high a price -Collective mgmt means less independence (in cases of mobile home parks) -Hard to implement; requires 80% participation from residents who must respond with shared intent w/in 30 days of notice of sale (mobile home parks) -Coop must quickly qualify for loan -Rent initially goes up for all
Renter Equity / Pension **The Atlantic | Renting is Terrible, Owning is Worse** **https://www.theatlantic.com/ideas/archive/2021/03/why-its-better-to-rent-than-to-own/618254/**	-Rental units are built/purchased and held in trust -As building loans are paid down thru monthly rental payments, equity accrues to trust, minus maintenance costs -Each renter owns a share in the trust, which may include a larger portfolio of properties. -Renter equity accessible after 5 yrs serves as emergency fund for families	**Bens** -Equity accrues to renter over time without need to buy or sell property; portable -Flexibility; financial risks lower than buying -Stepping stone toward home-ownership -Competes with home-ownership/reduces demand over time, reducing home prices **Risks / Cons** -Requires benevolent purchaser, developer or public $$ to acquire & administer -Hard to purchase enough properties at scale without private equity

GARY COMMUNITY VENTURES

Employee Equity Concept	How it Works	Benefits & Risks / Cons
Worker Coop	• Workers / owners come together for shared purpose; voluntarily association • Democratic structure, with each member having one vote; managers elected or have equal share • Equitable distribution of economic results based on the volume of operations made through them • In some cases, (workers) of the cooperative in fact "own" the enterprise by buying a share that represents a fraction of the market value of the total cooperative.	**Bens** -Emerged as part of IR labor movement: Workers have ownership stake--not beholden to outside shareholders or leadership they don't know/trust -Inclusive, participatory -Collective power to compete against larger firms -Distributed shared costs; lower overhead and infrastructure -Members taxed only once, not as individuals + corp -Member liability limited only to ownership share **Risks / Cons** -Shared decision-making slower / less responsive in crisis -Less independence / limit on brand differentiation -Sharing of information w competition -Hard to attract outside capital as earnings are capped and distributed inside membership (creates market vulnerability)
Employee Stock Ownership Plans (ESOPs) Fun fact: Pew Research estimates 10,000 baby boomers retire daily. More than 4 million businesses in America owned by baby boomers, and according to Axial, 65-75% will be "on the market" over the next 5 to 10 years.	• Retirement plan that owns the company o... behalf of employees • Business owners sell most or all of their stock to an ESOP trust for fair market value • A third party loans ESOP the $$ to purchase from the owners, and the loan is paid down over 5-10 yrs by the company's profits. • ESOPs exempt from corporate income taxes • Sellers (prior owners) pay no capital gains	**Bens** -Preserves identity and legacy; owners can sell without being bought by competition or extractive PE play -Employees take over ownership share without purchasing outright; corporate profits buy company on behalf of employees. -Drives up corporate performance, culture, and wages -Equity lever: BIPOC employees positively impacted **Risks / Cons** -Consolidates employee retirement equity in 1 company vs portfolio -Employers have to know about and elect this option, then engage in legal+financial preparation to execute -Ongoing regulatory and audit burden for companies is heavy