Ownership Investing

FINANCING THE FUTURE OF WEALTH

GARY COMMUNITY VENTURES

FINANCIAL SECURITY PROGRAM aspen institute

The Bridgespan Group

ASSEMBLE100

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Introduction

IN SEPTEMBER 2024, Gary Community Ventures, The Aspen Institute Financial Security Program and The Bridgespan Group hosted the second annual ASSEMBLE100 Summit. This invite-only convening brought together 100 investors, entrepreneurs, fund managers, policymakers and thought leaders with diverse backgrounds and a shared dedication to tackling critical social and economic challenges. **This year's forum focused on advancing the field of ownership investing, which we define as a set of investment strategies and solutions designed to broaden and accelerate household access to appreciating assets, while simultaneously creating strong, long-term economic value for investors.** We believe that through ownership investing, we can harness the power of the capital markets, public policy and philanthropic innovation to realize a future in which each US household possesses the minimum wealth necessary to achieve economic stability, mobility and prosperity.

Having observed that ownership investing currently tends to operate in silos – think homeownership, autoenrollment in Individual Retirement Accounts, employee ownership conversions and fractional shares in community-owned real estate – we designed ASSEMBLE100 to bring together experts across a range of strategies and disciplines to deepen our collective understanding of investment opportunities and identify a path to grow a holistic ownership movement. We were also intentional in inviting stakeholders across a continuum of opinions about ownership investing from curious to committed to already taking action. In doing so, we were able to pilot the "big tent" approach that we believe is imperative to building the relationships that can unlock innovation, investment and impact. This coming together of like-minded visionaries sparked an enthusiasm that was palpable throughout the two-day summit, fueling the sorts of foundational discussions and fresh perspectives necessary to scaling the work. Among the questions attendees considered were:

- **What new innovations are proving the possibility of ownership investing models?**
- **What barriers currently prevent investors from pursuing these opportunities?**
- **What are the viable strategies for increasing the flow of capital to ownership investments?**

Unsurprisingly, opinions varied and included some useful skepticism. Still, there was a tangible energy throughout the two days and a growing sense of collective agency for advancing the ownership investing movement. This momentum was further catalyzed by real-time demonstrations of ownership investing "in action." Through a series of field trips around Denver, attendees met with employers who have created employee ownership opportunities, workers who have seized those opportunities, landlords and renters who are working together to create pathways for tenants to build equity, and first-time homeowners excited to put down roots and build equity in their homes. Through their personal stories, these individuals illuminate the importance of wealth-building at the household level.

This report is a summary of conversations and learnings coming out of ASSEMBLE100, and was developed in service of building on and building out the great work those attendees are already undertaking to increase access to wealth-building opportunities for the millions of low-wealth households who need more and better chances to thrive.

For those who are curious about ownership investing, ready to take action or already have an investment portfolio rooted in conviction around this topic, we hope this resource propels your individual work as well as the larger movement.

In partnership,

Santhosh Ramdoss, President and CEO at Gary Community Ventures

Emily Williams, Director of Strategic Partnerships at Gary Community Ventures

Ida Rademacher, Vice President at Aspen Institute & Co-Executive Director at Aspen Institute's Financial Security Program

Joanna Smith-Ramani, Co-Executive Director at Aspen Institute's Financial Security Program

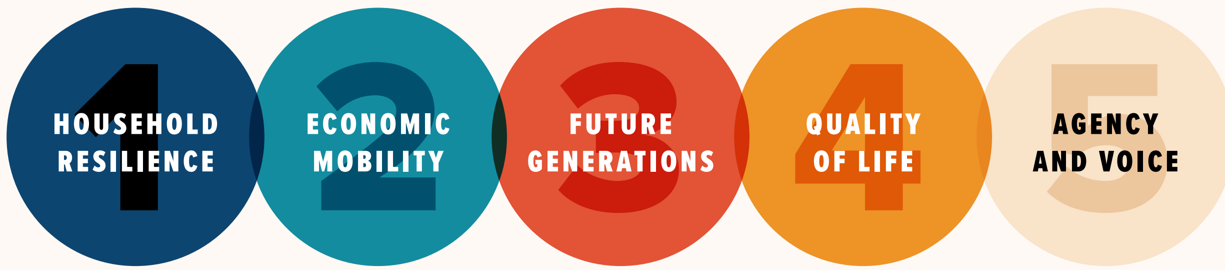
Devin Murphy, Former Partner at The Bridgespan Group & Principal at Integrated Purpose

Atharva Sinha, Consultant at The Bridgespan Group

Why Wealth Matters

FOR MOST PEOPLE LIVING IN THE UNITED STATES, PERSONAL WEALTH IS NOT AN AVENUE TO LUXURY, BUT RATHER A PRECONDITION OF FINANCIAL SECURITY, MOBILITY AND PROSPERITY. Wealth is a critical driver that allows people to live a life of stability and intentionality, filled with choices. By building wealth, people can meet their basic needs and pursue more education, become a homeowner, take time to care for sick relatives and chase their dreams for themselves and their family. And it is wealth that enables those within a household to withstand life's inevitable curveballs without losing their financial footing, and to support future generations to succeed.

As a prerequisite of financial well-being, wealth has five key functions:



Wealth fosters **household resilience** by buffering against financial shocks.

Wealth facilitates **economic mobility** by enabling investments that can boost incomes, stabilize and/or reduce living costs and generate additional wealth.

Wealth endows **future generations** with opportunities, resilience and mobility.

Wealth improves **quality of life** by reducing mental, physical and financial stressors.

Wealth promotes **agency and voice** by positioning people as decision-makers, both within their own lives and with regards to the use of assets they partially or wholly own.

Source: *Foundations of a New Wealth Agenda*, Aspen Institute Financial Security Program (2021).

WHO DOES AND DOESN'T HAVE WEALTH

As is the case with so many of life's most crucial opportunities, access to wealth-building activities is uneven in the US. According to analysis by the Aspen Institute Financial Security Program, the bottom 50% of households by median wealth – more than 66 million families –own approximately 2.5% of total US household wealth, while the top 10% of households – about 13 million families – own more than 75% of total US household wealth. When viewed more granularly, the disparities can appear even greater, with those in the bottom 10% of households possessing a median net worth of negative $9,800 and those in the top 10% of households with a median net worth of roughly $2.5 million.

For most US households, building wealth is increasingly difficult. As real wages stagnate and the cost of daily needs increases, income is no longer sufficient to enable wealth-building, with alarming consequences. Wealth disparities persist across a long and predictable set of dimensions. For example, Black, Hispanic and low- and moderate-income households have the least amount of wealth, and households headed by women have about half the median wealth of those headed by men. Such uneven access harms not only households but also communities and macroeconomic growth. According to McKinsey & Company, between 2019 and 2028 alone, racial wealth inequality will cost the US economy between $10 and $15 trillion in lost investment and consumption, while also sidelining talent and undermining social inclusion.

While it's neither practical nor necessary to work toward a country in which all people have the same amount of wealth, there's clearly room to dramatically improve access to wealth-building opportunities for low-wealth households, along with the economic and social imperatives to do so. In addition to helping to decrease gender and racial economic disparities, increasing access to wealth and its many benefits could help to grow the nation's shrinking middle class and enable people to more fully participate in the economy.

SHARE OF HOUSEHOLD WEALTH:

75%
Total US household wealth owned by the top 10% of US households

2.5%
Total US household wealth owned by the bottom 50% of US households

MEDIAN NET WORTH:

$2.5M
Top 10% of US households

-$9,800
Bottom 10% of US households

IN JUST A DECADE, RACIAL WEALTH INEQUALITY WILL COST THE US ECONOMY BETWEEN:

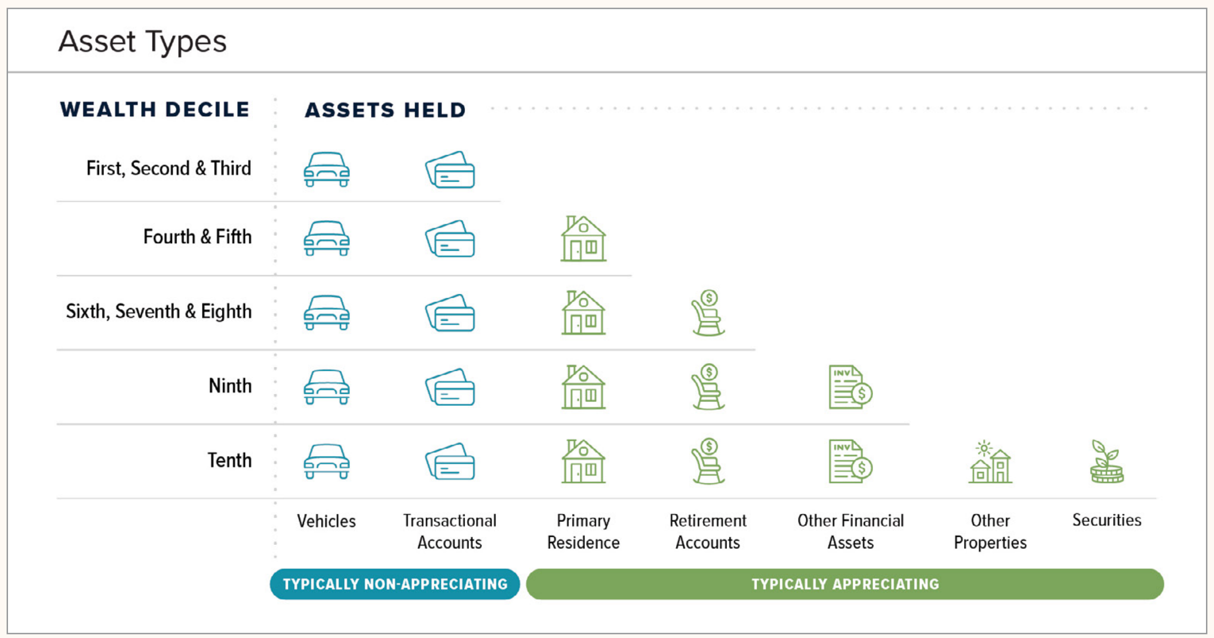
$10 and $15 trillion

OWNERSHIP INVESTING FINANCING THE FUTURE OF WEALTH

THE RELATIONSHIP BETWEEN WEALTH AND OWNERSHIP

There is, of course, no single explanation for the country's uneven access to wealth and its important benefits. Rather, there is a constellation of nefarious drivers, many of which, though deep-rooted and intentional, can be at least partially addressed through market interventions. This includes not simply the uneven ownership of assets, but more specifically, those that increase in value.

Research shows a strong correlation between asset type and household wealth. Wealthier households own assets that tend to appreciate, including real estate, retirement accounts, securities and other investments. By contrast, those with negative or minimal amounts of household wealth own the sorts of assets that are important to daily life but do not typically generate wealth, such as a vehicle and/or a checking or other type of transactional account.



Source: *Foundations of a New Wealth Agenda*, Aspen Institute Financial Security Program (2021).

Given the correlation between household wealth and ownership of appreciating assets, an obvious question is: How can more low-wealth households acquire more appreciating assets? And what is the role of investors, philanthropy and policy makers in simplifying the path to that access?

One promising strategy is ownership investing, which we define as a set of investment strategies and solutions designed to broaden and accelerate household access to appreciating assets, while simultaneously creating strong, long-term economic value for investors.

Ownership Investing

There is no one strategy that can single-handedly reduce wealth disparities at the scale required to meaningfully improve financial well-being for the nation's millions of economically vulnerable households. Instead, effecting the necessary change demands a range of strategies that can increase income, decrease unproductive debt and facilitate wealth-building. That said, there is an opportunity to rethink how we approach the work.

Historically, in discussions about the household balance sheet, wealth-building is positioned as an activity that becomes available after an individual earns more than some unspecified amount in annual income, carries less than some other unspecified amount of debt and is able to save beyond retirement and emergencies. While easy to understand this logic, we can't afford to approach the work so sequentially. Nor should we, because doing so further delays families from accessing the important and unique opportunities that wealth-building can offer.

Instead, we must reimagine wealth-building as part of the scaffolding of financial security, mobility and prosperity, equal in priority and pursued in tandem with increasing income and reducing unproductive debt. We must then act accordingly by creating more and better and different ways for low-wealth households to own appreciating assets. Ownership investing can help to do that by offering people the chance to start building wealth, often incrementally and in more manageable bits, wherever they are on their path to financial well-being.

We believe that there are a range of *proven* and *promising* ownership investment opportunities that collectively constitute a sizable market for investors of every kind to participate in ownership investing. At ASSEMBLE100, we focused on four such strategies, divided into *Proven* and *Promising* categories that include: Individual Financial Accounts, Homeownership, Employee Ownership and Community-Owned Real Estate.

OWNERSHIP STRATEGIES

PROVEN: Homeownership and Individual Financial Accounts

As two cornerstones of household wealth-building, homeownership and individual financial assets present some of the most straightforward, scalable opportunities to increase access to appreciating assets for low-wealth households.

HOMEOWNERSHIP

The wealth disparities between homeowners and renters are enormous; median renter household wealth is $10,400, about 3% of the $396,500 median homeowner household wealth. While homeownership is not the only driver of the dramatic difference, it is a major contributor, as evidenced by the significant increase in home values during the pandemic. Between 2019 and 2022, median homeowner wealth increased by a stunning $101,000, as compared to the $3,100 increase in median renter wealth during the same period, a stark example of the power of appreciating assets and the importance of ownership to financial security, mobility and prosperity.

Investable Opportunities:

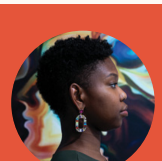
- KCM Kah Capital Management — Market Rate
- Dearfield Fund for Black Wealth — Concessionary
- Grounded Solutions Network — Philanthropic
- Blackstar Stability — Market Rate
- ROC USA — Concessionary
- foyer — Philanthropic

INDIVIDUAL FINANCIAL ACCOUNTS

Excluding savings and checking accounts, investments in financial assets such as stocks, bonds, other securities and certificates of deposit are a reliable and significant source of long-term appreciation. Most households that own these assets hold them in retirement accounts, but people also own them directly and through other types of accounts. Differences in ownership rates of these financial assets play a large role in racial wealth disparities, with 36% of white households owning securities, as compared to 15% and 11% of Black and Hispanic households, respectively. Between 2019 and 2022, households that owned securities gained significant wealth from the rising value of shares in US companies, which grew 32% during that period.

Investable Opportunities:

- EarlyBird — Market Rate
- Vestwell — Market Rate
- Savings Collaborative — Philanthropic
- stackwell — Market Rate



"I take homeownership seriously, to propel my own economic standing. As a Black woman, I had faith about becoming what I could not yet see."

CHARLYNN MOSS, *First-time homeowner, Dearfield Fund for Black Wealth and Speaker at ASSEMBLE100*

PROMISING: Employee Ownership and Community-Owned Real Estate

Given the millions of households with negative net worth, there is a need for a range of wealth-building opportunities. Employee ownership and community-owned real estate models are emerging as two solutions that hold significant promise to scale.

COMMUNITY-OWNED REAL ESTATE

A growing number of households are forced to remain renters in the face of tighter credit standards and housing costs that are increasing faster than wages, and the homeownership rate is projected to drop to 62% by 2040. Against this backdrop, there is a need for alternatives to homeownership so that people have opportunities to own real estate assets as part of a wealth-building portfolio. Across the US, dozens of real estate developers are partnering with nonprofit organizations and community leaders to do just that, with an emphasis on creating opportunities for low-income and low-wealth households to own pieces of commercial development in their neighborhoods, especially those living in segregated communities.

Investable Opportunities:

- Community Investment Trust — Concessionary
- Chicago TREND — Concessionary
- stake — Concessionary

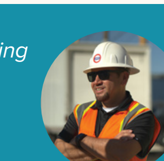
EMPLOYEE OWNERSHIP

There are a number of ways to provide employees with the opportunity to become partial owners of the places where they work, including employee stock ownership plans (ESOPs), the most common strategy, as well as employee ownership trusts and worker cooperatives. Doing so not only creates opportunities for workers to acquire an appreciating asset, but can also be good for business. According to Harvard Business Review: *Companies where at least 30% of the shares are owned by a broad-based group of employees, where all employees have access to ownership, and where the concentration of ownership is limited, are more productive, grow faster and are less likely to go out of business than their counterparts."*

Investable Opportunities:

- A&H Apis & Heritage Capital Partners — Market Rate
- Obran — Concessionary
- Essential Owners Fund — Market Rate
- Ownership Capital Lab — Philanthropic
- Ownership Works — Philanthropic

"We keep working hard and we keep doing a great job, knowing that this is going to turn into something really good for everybody. Office leadership, managers, field [staff]... for all of us."



FRANCISCO PERALTA, Apex Plumbing Employee Owner and Speaker at ASSEMBLE100

Our Charge

Three essential themes emerged from ASSEMBLE100 to ensure widespread acceptance of ownership investing and, ultimately, bring more opportunity to individuals and families.

1 AIM FOR MORE THAN JUST GETTING BY

As a tool for promoting financial security and mobility, the ownership investing movement must be aspirational. In practice, this means focusing on scaling solutions that can meaningfully change life trajectories, as opposed to merely improving a household's ability to manage scarcity. To fully realize that potential, we must approach this work with both ambition and flexibility. Specifically, we must:

SCOPE THE OPPORTUNITY. By estimating the market size and sketching a market map of the investment opportunities, we can provide the necessary specificity to effectively engage asset allocators and other stakeholders.

SIZE THE IMPACT. Determining what a scaled ownership investment movement can achieve that would otherwise be impossible will help keep people involved in the work when gravity starts to pull them back towards the status quo.

ALLOW FOR DISAPPOINTMENT. As is the case with any innovation, growing the ownership investment movement will invariably include setbacks, failures, distractions and pivots. We must allow for these challenges and remain steadfast, knowing that the work can meaningfully improve people's lives.

2 BUILD BIGGER TO BUILD BETTER

Bringing together people with a diverse range of skills, perspectives and experiences enables the establishment of a shared vision for a vibrant ownership investment marketplace that can both generate economic returns and help as many low-wealth households to thrive as is possible. Crucially, this "big tent" approach also allows for the many varied and vital paths that different stakeholders can pursue to realize a future based on their respective expertise, resources and priorities. To make space for personal preferences and to foster the innovation needed to scale the market, we must build and sustain an inclusive framework for ownership investing based on the following principles:

Ownership investments **include all asset classes and ownership and equity structures**.

Ownership investments **must be able to absorb a range of capital structures** across a continuum of investors, including family offices, foundations and private/public funds.

Ownership investments **have the potential to increase household wealth** across race, gender, income, geography and generations.

3 GROW THE MOVEMENT

ASSEMBLE100 attendees identified the following actionable next steps to grow the ownership investment marketplace in service of increasing households' access to wealth and its many benefits:

BUILD THE BRAND. To move ownership investing into the mainstream, we must create a universal narrative that compellingly articulates the power of ownership investing to both generate economic returns and increase wealth-building opportunities for financially vulnerable households. The narrative must be applicable across asset classes and resonate with a range of investors. This includes message framing, talking points and impact studies that stakeholders can use to seed a shared language, vision and set of examples to increase audience recognition and understanding.

GATHER THE EVIDENCE. To recruit additional stakeholders, we must identify which metrics most effectively illustrate the economic and social impacts of ownership investments, and determine whether these data and measurements already exist or need to be created. With the appropriate evidence, we can debunk the myth that social impact inherently negates economic returns.

UTILIZE PUBLIC POLICIES. As a tool to incentivize and facilitate ownership investing, there are likely public policies that we could better utilize. For example, is there an opportunity to leverage the Community Reinvestment Act to attract more capital to this market? Is there an "Ownership Economy Policy Playbook" to develop? What other policy levers could we pull to grow this marketplace?

Our nation's uneven access to wealth-building opportunities has grown from an inconvenience to an outright threat to household well-being, community viability and macroeconomic vitality. While addressing such a massive socioeconomic menace can feel intimidating, that doesn't mean it's impossible. Through ownership investing, we have a very real opportunity to meaningfully create more and better opportunities for households to build wealth. In doing so, we can help to create a future in which all people are able to move beyond managing scarcity to getting the chance to invest in themselves and their loved ones and to realize the inalienable right to the pursuit of happiness.

About the Partners

GARY COMMUNITY VENTURES: Gary Community Ventures is a sunsetting philanthropic organization that combines the power of business, policy and philanthropy to increase opportunity for Colorado kids and families. We use all of our resources to make impact investments, fund policy change, provide philanthropic grants and incubate new social change solutions through our Ventures lab. Gary focuses our efforts in three areas: School Readiness, Youth Success and Family Economic Mobility, where we seek to identify, create and fund new wealth-building opportunities for low-wealth families.

THE ASPEN INSTITUTE FINANCIAL SECURITY PROGRAM: The Aspen Institute Financial Security Program's (Aspen FSP) mission is to illuminate and solve the most critical financial challenges facing American households and to make financial security for all a top national priority. We aim for nothing less than a more inclusive economy with reduced wealth inequality and shared prosperity. We believe that transformational change requires innovation, trust, leadership, and entrepreneurial thinking. Aspen FSP galvanizes a diverse set of leaders across the public, private, and nonprofit sectors to solve the most critical financial challenges. We do this through deep, deliberate private and public dialogues and by elevating evidence-based research and solutions that will strengthen the financial health and security of financially vulnerable Americans.

THE BRIDGESPAN GROUP: The Bridgespan Group is a global nonprofit committed to creating a more equitable world. Since 2000, it has partnered with leading philanthropists, nonprofits, NGOs, and impact investors to address economic and social inequities. It leverages rigorous research to help social change leaders find innovative solutions and achieve lasting impact.

To learn more about any of these organizations or the ownership investing movement, please contact Emily Williams, Director of Strategic Partnerships at Gary Community Ventures at **EWilliams@garycommunity.org**

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