

Toward the Development of an Essential Wealth Concept and Measurement

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Introduction

Wealth—what someone owns after subtracting what they owe (assets minus debts)—represents the bedrock of financial security.¹ For most people, wealth doesn't mean owning multimillion-dollar investment accounts or holding a portfolio of companies, properties, or luxury goods. Instead, wealth is the set of resources that they can draw on to provide stability today and use as a springboard into greater opportunities tomorrow.

What's more, a robust understanding of the sufficiency of the wealth U.S. families hold—and what they need to own to enable a good life—is also important to advancing American prosperity. Widespread wealth is a key indicator of a healthy economy, with well-documented importance to monetary and fiscal policies across countries.²

Yet to maintain even a basic level of security requires having sufficient levels of net income, benefits, and wealth.³ Life is expensive, and for most people, current income does not provide enough resources to cover present needs and provide for future goals.⁴ Many families lack even a modest buffer. For example, the Survey of Household Economics and Decisionmaking found that, in 2024, only 55 percent of households had emergency savings to cover three months of living expenses if they lost their income.⁵

In fact, over one-third (36 percent) of families in America say that they're just getting by, and nearly half (48 percent) worry that the money they have now or will save will not last as long as they need it.⁶ Aspen FSP research finds that typical households in the bottom 30 percent of the wealth distribution own no assets beyond cash and vehicles.⁷ Without an adequate stock of wealth, households are perpetually vulnerable, living paycheck to paycheck and unable to weather even minor shocks that can become catastrophic.⁸

With basic survival a pressing objective for many families, people with little net wealth are often unable to fathom building a robust stock of resources to buffer unexpected expenses, much less support their goals.⁹ While the scale of people's goals can and will differ, many aspire to own a house or a business; to pursue educational or training opportunities; to have, raise, and invest in their children; and to live out their later years in health and dignity without the need for work. All told, nearly everyone has goals for the future well-being of themselves or their families, and this well-being is crucial for a stable, thriving life.

Attaining this baseline of security, mobility, and well-being requires wealth, be it a stock of resources transferred intergenerationally, saved over time, or grown through investment. Clearly, wealth is essential. But exactly how much is needed?

A Note on Net Wealth

Net wealth refers the amount of wealth people have, measured as the values of their assets minus their debts. In this paper, we use the term "net wealth" instead of "net worth" because the latter might connote a judgement against someone's worth purely based on their financial situation. Notable scholars have argued against this and similar deficit language (see, for example, Barbara Ehrenreich's 2001 *Nickle and Dimed*). Note that in referencing earlier work, however, we used the term selected by the author(s).

We recognize that seeking to measure this amount is an ambitious goal. The reality today is that when it comes to answering this question for a typical family in the United States, we lack sound, practical estimates. And as a result, we do not know how families are faring against such a benchmark.

This brief aims to offer a path toward greater empirical understanding of what constitutes essential wealth and how to measure it. Our goal: inspire the creation of new measures that capture what it takes to have sufficient wealth for economic security, mobility, and well-being. Such metrics could be used to develop strategies that afford greater access to wealth, resilience, and opportunities for households. Our read of the evidence suggests that each of these elements is necessary not only for financial stability, but also for a prosperous life.

Our goal: inspire the creation of new measures that capture what it takes to have sufficient wealth for economic security, mobility, and well-being.

The Essentials For Which Wealth Provides

Adapting from prior work outlining the functions of wealth, we articulate an essential wealth concept with three core purposes that provide a range of benefits: security, investment in mobility, and well-being.¹⁰

Economic Security

Wealth provides economic security that allows for both resilience against financial shocks, such as job loss or significant unexpected expenses, and lays the groundwork for stability over time. That stability is a necessary foundation for individuals and households to make investments for the future or take risks that could improve their lives or plan for their future.

Investment in Mobility

Access to wealth empowers people to invest in opportunities that increase lifelong economic potential, such as higher education, vocational training, entrepreneurship, financial assets, or homeownership. These opportunities often yield income growth or reduce living costs (e.g., via home equity or business income), allowing households to build even more wealth over time. Having the resources to invest, even at smaller amounts, plants seeds that can potentially grow to meaningful amounts and lead to lasting change.

Well-Being

Wealth facilitates well-being. Wealth can provide the resources for people to provide for their own and their families' physical and mental health. It can allow for investment in communities, helping to support collective thriving. And at certain levels, wealth affords increased freedom, agency, comfort, and peace of mind.

Existing Approaches to Measuring Household Financial Sufficiency

To understand the gap a new measure of essential wealth would fill, it is crucial to first examine how we currently measure economic sufficiency. A comprehensive understanding of household financial

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security and opportunity requires accounting for the full range of resources a family has and can access. Existing metrics provide valuable insights into household finances, particularly for income and consumption at multiple levels of sufficiency, such as the poverty line and the living wage. Wealth sufficiency measures tend to focus on baselines for savings or resilience, such as emergency savings or asset poverty, but largely fail to capture the aspirational and forward-looking enhancing aspects of wealth. Wealth provides security and opportunity, and measures of wealth sufficiency should capture both—the resources to survive and the potential to thrive.¹¹

Income and Consumption Sufficiency

Our clearest current understanding of sufficiency comes from measures of income and consumption. Income, at a point in time, is assumed to be a measure of the ability to cover present expenses and meet immediate needs—housing, food, health care, child care, etc.¹²

The most prominent of the income sufficiency measures is the Official Poverty Measure (OPM). Developed in the 1960s by Mollie Orshansky, its threshold was originally set by calculating the cost of the U.S. Department of Agriculture’s “economy food plan” and multiplying it by three, based on 1955 survey data showing that families spent approximately one-third of their after-tax income on food.¹³

Today, the OPM thresholds continue to vary by family composition and are updated annually for inflation using the Consumer Price Index but otherwise remain structurally unchanged. This static construction is the primary weakness, as it fails to account for the dramatic shifts in household budgets over the last half-century where the share of household budgets spent on food has declined dramatically.¹⁴ Housing and transportation now comprise much larger shares of a typical household budget than food, which means OPM captures sufficiency only in the narrowest sense of avoiding extreme material deprivation based on an outdated consumption pattern.

In response to these limitations, the Supplemental Poverty Measure (SPM) was developed to provide a more dynamic and comprehensive view of household resources. The SPM offers a more holistic measurement, based on actual expenditures on food, clothing, shelter, and utilities. It also considers post-tax income plus the value of transfers like SNAP and tax credits, while it reduces a family’s resources by necessary out of pocket medical, work, and childcare expenses. It also adjusts for geographic differences in the cost of living and uses a more expansive definition of “family.”¹⁵ This makes the SPM a more accurate gauge of the resources a family has available to meet its basic needs in the contemporary economy. However, it remains an income-centric measure that still cannot be used to understand how a household’s wealth—or lack thereof—relates to their financial well-being.

Poverty, even as measured by the SPM, represents a low baseline for sufficiency. But for many households, the full costs of a stable, if modest, life fall at a higher threshold, particularly in places with higher costs of living. Several measures capture this higher threshold approach. The MIT Living Wage Calculator constructs county level budgets for households of varying sizes, incorporating data on the costs for housing, child care, transportation, food, health care, taxes, and other necessary expenses.¹⁶ Similarly, United Way's ALICE (Asset Limited, Income-Constrained, Employed) framework computes a Household Survival Budget—a bare-minimum budget for core necessities using a similar basket of goods—and an ALICE Stability Budget that raises the standard modestly and explicitly includes a savings category. ALICE also takes geographic differences into account, budgeting by county and household type.¹⁷

These tools provide valuable, policy-salient estimates of income needed to meet essentials and to avoid persistent shortfalls, but they still primarily benchmark flows rather than calculate the stock of resources required for resilience and investment. More recently, the Urban Institute's True Cost of Economic Security (TCES) metric takes an even broader look at what is needed not merely to escape poverty but to “fully participate in today's society and economy,” accounting for student loan payments and explicitly including savings as part of the household budget. And they find that over half of American households (52 percent) fall beneath the threshold of economic security.¹⁸

While all compelling, insightful measures, shorter-term measures of income and consumption give an incomplete picture of someone's long-term financial well-being because many people are one unforeseen economic shock (e.g., job loss) away from financial insecurity, not to mention having the resources to provide for future needs.¹⁹ Yet, long-term accumulation of income—aka lifetime earnings—contribute to wealth and to explaining wealth differentials. This is because most people in the United States either do not have the privilege of receiving intergenerational wealth transfers or they spend them down before leveraging for the long term.²⁰

Savings, Assets, and Wealth Sufficiency

Crucially, none of these measures take the full balance sheet—all assets and debts—completely into account. Two families with the same income can face radically different realities if one has a stronger cushion of liquid savings and assets and less debt than the other.

Given that one of the basic functions of wealth is to provide self-insurance from day-to-day shocks, emergency savings (across several forms) is a common measure of sufficiency. Some metrics focus on a fixed number, such as the ability to access \$2,000, as an indicator that households have obtained some baseline level of stability.²¹ Recent research has affirmed that having this amount in savings is associated with stronger financial well-being.²²

Other relative measures of emergency savings pin the amount needed to the household's specific income or set of expenses. For instance, research using consumer banking transactions found six weeks of take-home income in liquid savings to be a strong benchmark for how much families need to weather actual typical income and expense shocks.²³ And saving of at least three months of expenses is an oft-cited number by financial advisors as an appropriate amount for an emergency fund.²⁴

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Broader asset and wealth specific measures take a similar relative approach. Asset poverty in particular determines whether a family has enough assets (either already liquid or can be quickly sold) to subsist at the official poverty line for three months.²⁵ A related but distinct concept is net worth poverty, which compares a household's total net worth (all assets, including less-liquid ones like vehicles, minus all debts) to the same three-month poverty threshold.²⁶ This distinction is critical: A family might have net positive wealth due to home equity but be liquid-asset poor, leaving them unable to meet an immediate cash need. Conversely, a household could have liquid savings but could have no or even negative wealth due to high student loan or credit card debt, signaling long-term financial precarity. Other forms of asset sufficiency, like retirement savings metrics from the National Retirement Risk Index (NRRI), focus on the adequacy of one particular asset for one specific life goal but aren't designed to give a full picture of a household's overall wealth sufficiency.²⁷

As with income poverty, many of these measures and amounts of wealth suggest a minimum baseline for resilience. Similar to the need and value of having both measures of poverty and of a living wage, efforts to build broader financial well-being would benefit from having measures of asset poverty and more robust amounts of wealth sufficiency.

Measures of specific assets minus debts (e.g., net wealth) provide crucial insight into a fuller range of resources families may have to weather disruption or prepare for the future. Aggregate net wealth measures also provide important visibility into group-based differences (e.g., race, place, gender) or where households fall in the wealth distribution, highlighting the relative disadvantage of many households in the face of historical factors and increasing wealth inequality.²⁸

Knowing a household's net wealth or the ownership and value of particular assets and debts (e.g., homes, retirement accounts, or student loans) tells us something important about the resources available to them. However, the amount alone—or even the amount with a detailing of the assets and debts that add up to it—is not sufficient for understanding whether families have met the threshold of resources they need to be resilient to shocks in the short term or are on the path to increased opportunity and well-being in the future.

Some newer, more augmented measures of wealth include expected future assets like those reflected in employer-provided pensions and future public benefits like Social Security. Yet, less work has been done on the connection between the wealth levels someone currently has or expects to have, and their expected socio-economic outcomes.²⁹

Overall, we need to know what it takes to attain security, mobility, and the ability to invest.

Overall, we need to know what it takes to attain security, mobility, and the ability to invest. In other words, what is the wealth threshold a family must reach? The critical next step in creating such a threshold is to develop concrete ways to convert the conceptual purposes of essential wealth into frameworks and metrics, modeled after the substantive approaches to income and savings sufficiency.

Developing an Essential Wealth Framework and Measure

We propose the development of a metric—or metrics—to establish thresholds that reflect the sufficiency of household resources to deliver three key functions of wealth. Based on the development of several of the measures above, we know the importance of an evidence-based approach that draws upon the wisdom of past experts and current and future collaborators to analyze, test, and refine, according to the following steps:

1. Establish the set of concepts to be measured based on relevant theory, prior research, and input from people whose experience the metric is intended to measure.
2. Select a methodological approach to the metric creation.
3. Gather data, conduct analyses, and produce a draft metric.
4. Use related metrics to test for validity and adjust the new metric as appropriate.
5. Review the draft metric with topical experts, those living at different wealth levels, and refine as needed.

This primer makes progress on the first two steps. Above we proposed a general construct definition for essential wealth and laid the foundation for why it is important to measure. Below, we discuss some of the methodological considerations and decisions that would inform a detailed approach to developing metrics to measure it. By doing so, we hope to inspire collaboration and progress towards refining these initial ideas and continuing the metrics development process.

Examples: How an Essential Wealth Framework Could Be Developed

Based on a high-level construct framework consisting of economic security, investment in mobility, and well-being, we briefly outline several different approaches to constructing an essential wealth measure. While these are illustrative and do not fully take into account all of the considerations, they provide some initial thinking that we expect will be helpful to other researchers who would want to support this or pursue complementary efforts.

With each of these approaches, there are two tasks. First is establishing the appropriate thresholds, which may vary by family structure, age, and other characteristics—and determining what current and future wealth components to include. Second is determining the best measurement strategies for benchmarking against the thresholds.

Using any of these approaches, measures of essential wealth would identify household-level thresholds while also accounting for the specific conditions of the households, such as age, place, and family composition.

BASKET APPROACH

Consumption-based measures of self-sufficiency, such as the MIT's living wage calculator provide empirical clarity on the income a family needs in order to pay for day-to-day life—housing, utilities, food, transportation, child care, health care, etc.³⁰ However, the basket approach often found in income-based

measures of well-being may not work as effectively for wealth, as wealth is more flexible and dynamic. Though emergency savings, housing, and education are all fundamental uses of wealth, people may not need to access their wealth for those uses simultaneously. Depending on the amount and the liquidity, households can flexibly use their wealth toward these aims when the need arises. And what is used for one purpose (like purchasing a car) could potentially be replenished in time for the next usage (a down payment for a house). Therefore, what's essential for households is not simply additive. Instead, approaches to defining essential wealth must account for that dynamism and the different set of use cases, recognizing that wealth building likely happens in a set of steps over time.

LADDER APPROACH

This framework conceptualizes wealth building as a progression through distinct thresholds, each representing a greater level of financial security and opportunity. The ladder approach is tied to achieving specific financial capabilities that build upon one another. It begins with establishing basic resilience and moves toward higher-order functions like asset ownership and community investment. Each rung of the ladder signifies a greater capacity to not only weather financial shocks but also to proactively invest in long-term mobility and well-being. For instance, households would first need to achieve basic resilience, like withstanding small shocks, before reaching ownership readiness, like having a strong credit record and enough savings to invest. A last step on the ladder would be owning a set of assets to support economic mobility and longer-term wealth building. This follows the conditions that Aspen FSP has articulated as being important for supporting wealth building: maintaining financial resilience, amassing (or receiving) investible sums of money, accessing and purchasing assets, before growing and then protecting one's wealth.³¹ This concept is similar to the Economic Mobility Bridge developed by EMPATH to track stages of progress across different pillars of economic opportunity and well-being.³²

LIFE COURSE APPROACH

This approach recognizes that essential wealth needs are not static but evolve across an individual's lifetime. It posits that the amount and type of wealth required to thrive are dependent on one's age and life stage, from young adulthood through retirement. By appreciating that wealth needs and amounts generally grow as people age, and aligning wealth-building goals with predictable life events and financial priorities, this model provides a framework for what "enough" wealth looks like at different points in time. For example, for children, this could be having an early wealth account in their name or a seeded investment account from birth that could grow to a sufficient amount.³³ For early and mid-adulthood, families with essential wealth would have manageable education debt, sufficient emergency savings, access to insurance, and the resources to support asset ownership such as retirement savings or a down payment for purchasing a home.³⁴ For later life stages, this could look like having the resources to support a financially stable and secure retirement.³⁵ This age-dependent, financially progressive approach is often reflected in work on retirement preparedness and risk assessments, but could be adapted to a broader array of needs and expenses, which also change with age (e.g., housing costs, child and family care, or children's education).³⁶

OBSERVED THRESHOLD APPROACH

This data-driven approach could be used to determine whether a rough set of essential wealth thresholds can be observed in relation to independent measures of thriving. One would start with an

outcome that could proxy financial stability and the potential for mobility—such as having a higher financial well-being score using the Consumer Financial Protection Bureau’s (CFPB) Financial Well-Being Scale for one’s age cohort—and analyzing the balance sheets of people proximate to those outcomes for meaningful thresholds.³⁷ Having a connection to a separate, but related outcome such as the financial well-being measure would also allow for some validation of whether inductively derived approaches have resonance for the subjective well-being of families. For example, recent research from Vanguard shows that having at least \$2,000 in savings is strongly associated with higher financial well-being, even with accounting for income, assets, and debts.³⁸ In this case, the strength of the relationship between the measures provides support for the idea that meeting a threshold (\$2,000) is meaningfully tied to a broader indication of financial health.

Additional Considerations

Developing a new measure and working to gain new insights can be a complex undertaking. Even when future researchers have a framework that can operationalize an initial set of thresholds and estimate the resources families have on hand, we outline a few questions and considerations they must contend with to develop a set of measures that are practical and actionable.

The first consideration deals with timing: wealth essential for when? Some of the methodological approaches above have some accounting for when the wealth should be accumulated and a sense of when it might be needed (e.g., retirement savings). But specifics of when wealth is accessed and used are subjective. Emergencies and large unexpected expenses are inherently unpredictable, and even pre-planned expenses like buying a house could vary based on a family’s specific needs and other factors like their local housing market.

Second, essential wealth measures may need to account for the multiple roles of debt. At its most productive, debt can facilitate investments (including education) and asset purchases that promote opportunity and mobility and grow wealth. Debt is also a safety valve for urgent and costly needs, especially when those costs exceed the amount of accessible liquid savings.³⁹ At its most challenging, debt can be used to fuel living beyond current means or get to excessive levels where the servicing can interrupt other financial needs and goals.

Access to credit is an essential tool in a person or family’s financial toolbox. However, debt comes with repayment, and this obligation can detract from a family’s economic well-being.⁴⁰ Such payments are not always captured in current metrics. Furthermore, the terms and conditions of debt can differ dramatically. Some have access to much more favorable terms while others face very high costs of borrowing.⁴¹

Third, the range of resources families can potentially access extend beyond individually owned assets and debt. Many households in or near poverty use public benefits like SNAP or Medicaid to support their needs. Pell Grants can lower the cost of education for lower-income students. And for roughly a quarter of people over 65, Social Security accounts for over 90 percent of their income, assuming the near absence of any other retirement savings.⁴² Research has found that people factor in the expectation of accessing these benefits into their financial behavior as part of the resources they can draw on in the future.⁴³ Part of the essentials that personal wealth could cover may be covered in part (small or large) by public benefits, which any analysis would at least need to recognize, if not account for directly.

Finally, a growing body of literature emphasizes the importance of incorporating lived experience into the development of well-being metrics. Yet we know from the literature that economically vulnerable

families often live in precarity.⁴⁴ This is well illustrated by one Maine focus group participant who worked at an organization serving low-income, rural Mainers. She noted: “When you’re stretched as thin as she was, anything can be a tipping point. Her check not coming, her boyfriend blowing up at her...the net was so frail.”⁴⁵ This points to the importance not only of developing quantitative metrics that account for lived experience but also of listening to individuals about their experiences and goals.

The American Voices Project and the international ATD Fourth World movement are two examples of efforts that seek to ground our understanding of poverty and hardship in the real-world experiences of individuals and families.⁴⁶ Any effort to define “essential wealth” must engage in a similar process of collaboration with individuals, families, and communities to ensure that the resulting framework is not just statistically valid but also meaningful and relevant to the people whose lives it is intended to describe.

We raise these considerations so they are front of mind as we move forward, even if we do not have full clarity about if and how we will account for them. We must accept that no measure, especially the initial one, will be perfect. Wealth sufficiency is not well understood, and we believe that any effort that can provide substantial directional clarity—and an actionable tool for decision-makers—is worthwhile.

We look to the field of researchers working on economic opportunity to support this effort and build upon this framework. Collectively, we can develop a set of measures that provide deeper insight into where families have enough money for their needs and goals and establish wealth as a necessary part of financial well-being.

Next Steps for Advancing an Essential Wealth Metric

Our goal with this paper is to make a compelling case for the development of metrics to quantify a baseline of how much wealth is needed to provide security, support economic mobility, and enhance financial well-being. We recognize that the gains from wealth accrue to those with higher levels of asset ownership, and households in the bottom half of the wealth distribution hold only a small amount of the total wealth in the United States.⁴⁷ The metrics can then be used to understand who currently has sufficient wealth, which geographies are under-resourced, and which kinds of investments, policies, and practices can meaningfully boost household wealth and expand shared economic prosperity.

For such an approach to be useful, it is important to achieve consensus on the need for an essential wealth metric. We hope that despite potential differences in the details, scholars, practitioners, policymakers, and philanthropy will agree on the utility of understanding essential wealth. Such consensus can pave the way for investments in the development and testing of metrics, highlighting findings in research publications, and ultimately using the metrics to design and test interventions aimed at increasing the share of the population with sufficient wealth.

We hope that despite potential differences in the details, scholars, practitioners, policymakers, and philanthropy will agree on the utility of understanding essential wealth.

Creating useful essential wealth estimates will also take better data. Many of our national data sets collect a large amount of information about income and public program resources flowing into households. We have far less granular information on assets and debts, particularly at sub-national levels of geography. That said, one fruitful approach, in the near term, may be to combine data from multiple sources to get estimates that are correct in the aggregate, such as recent work to estimate wealth as state and local levels.⁴⁸ That is, through carefully chosen and transparently acknowledged assumptions, as well as rigorous imputation, we may be able to understand things among demographic groups even if we are limited in understanding individual circumstances.

Finally, it will take intentional collaboration with individuals, families, and communities. In order to develop measures that best capture what is desired, what policies and practices are influential, and how people think about their income, wealth, and other resources, we must engage. Partnering in different ways to incorporate these perspectives and ground-checking our metrics in progress will lead to more comprehensive, accurate, reliable, and useful ways of understanding essential wealth. None of the existing formal metrics do this continuously, and it is worth considering how metrics of essential wealth may be built with and for those seeking economic security, mobility, and opportunity.

Wealth is not just for the wealthy. It is the sum of the resources that provides the foundation for a financially stable life. By creating a clear, meaningful, and actionable benchmark for what it takes not just to get by, but to thrive, we can better equip families, communities, and policymakers to build a more resilient and prosperous future for all.

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