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DATA REPORT: Indiana's Wealth Gap

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The Importance of Understanding and Tracking the Wealth Gap

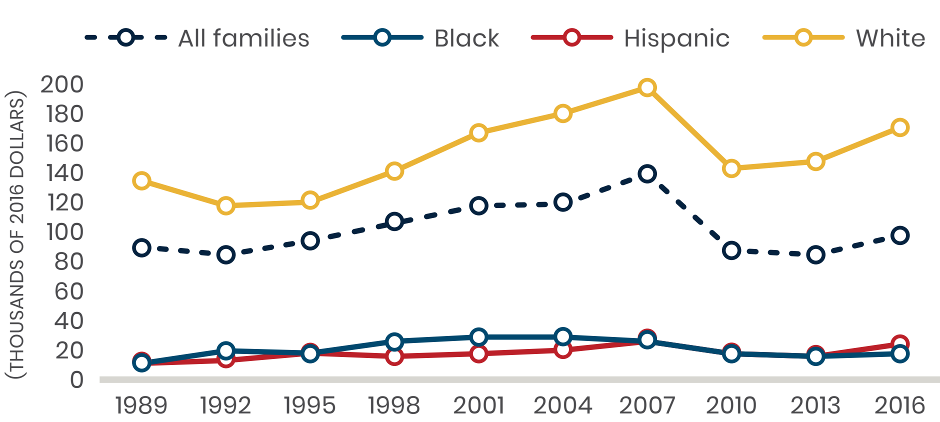
Wealth is comprised of multiple assets and is cyclical and multigenerational. It illustrates which families have protection against economic shocks and can transfer security and social status for future generations. It captures community context and families' income, assets, property, and savings. The transferal of resources between generations contributes to a child's family's wealth and helps build their assets throughout their lifetimes.[1]

- Family wealth and savings often help fund a child's postsecondary education, which then boosts that child's future earning potential and economic opportunities. Youth who come from families whose net worth is in the top 20% of Americans are nearly six times more likely to graduate from college than youth whose families are in the bottom 20%. [2] Wealthier families can be more selective and have access to well-resourced schools, which can improve youth's college graduation rates and future earning potential.

The transferal of resources between generations contributes to a child's family's wealth and helps build their assets throughout their lives.

- Accumulation of assets directly impacts a child's likelihood to graduate college. For example, when the value of a house spikes by at least $50,000 in the years prior to a youth attending college, the likelihood of that child graduating college increases by three to four percentage points.[3]
- Family wealth allows young adults who have recently entered the labor force to access housing in safe neighborhoods with good schools, thereby enhancing the prospects of their own children. Wealth affords young adults with opportunities to be entrepreneurs and inventors and to take risks without fear of failure due to their safety net from family wealth.[4] Youth who live in families with less wealth have limited financial security, which can create stress and upheaval in their lives.[5]

Median Net Worth by Race/Ethnicity, United States: 1989–2016



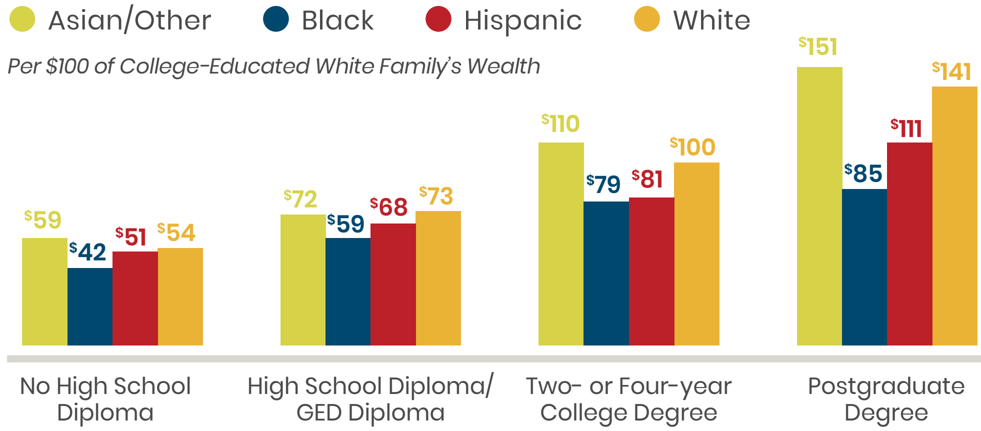
Source: Brookings Institution

Examinations of economic inequalities among various groups of people tend to focus on the income gap, which is the difference in earnings. While income is a beneficial metric to understanding financial and economic stability, it is a static measure and near-term measure that does not signal long-term stability and financial worth. Income is often the default metric for determining the level of additional resources and support children and families need to be successful. In education policy and practice, economic disadvantage is defined by income levels. Though income is a facet of wealth, relying on this metric alone minimizes the greater racial disparities within wealth and can underestimate the ongoing supports children may need to find prosperity in adulthood.

Gaps in wealth are revealed most starkly when the data are disaggregated by race and ethnicity. Like income, America's racial wealth gap is massive, but wealth disparities are informed not merely by current conditions; they consider historical, generational accumulation of assets by families.[6]

- In 2019, White families in the U.S. had eight times more wealth than Black families and five times more wealth than Hispanic families.[7] This is a slight decrease from 2016 where the net worth of a typical White family was $171,000, nearly ten times greater than that of a Black family ($17,150).[8]
- The median Black household with children has a net worth of $294, compared to $47,250 for the median White family. Those Black families have 1%, and Hispanic families have 8%, of the average White family's wealth.[9]
- Black households constitute less than 2% of those in the top one percent of the nation's wealth distribution; White households constitute more than 96% of the wealthiest Americans.[10]

Predicted Wealth by Race/Ethnicity and Education Level, United States: 2016



Source: Federal Reserve Bank of St. Louis

The category "Asian or Other" includes not only people with origins in Asia but also those who identify as American Indian, Alaska Native, or Native Hawaiian and Pacific Islander. The Survey of Consumer Finances combines responses for all of these groups together to preserve confidentiality given small response rates.

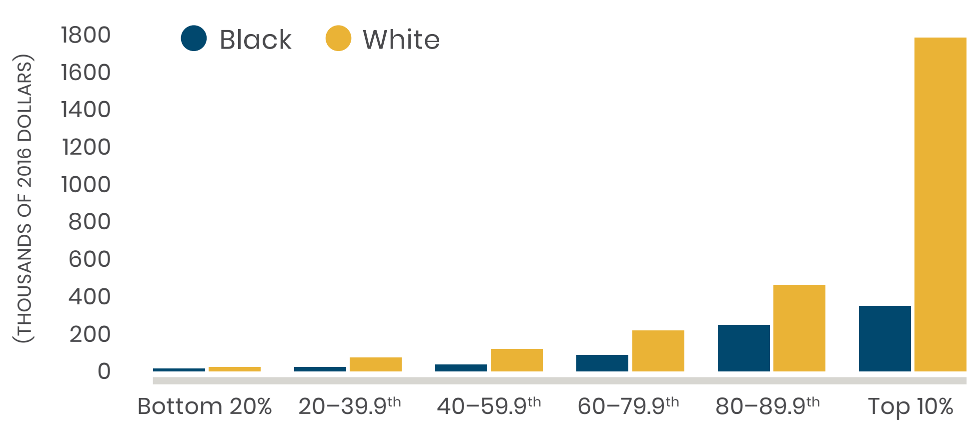
The COVID-19 pandemic illuminated the short-comings of only considering income when determining a child's financial stability. Using just income as a metric, families who lived paycheck to paycheck with few or no assets or savings may not have seemed financially vulnerable prior to COVID, because their income flow was steady. As the pandemic caused our economy to slump, many families without the financial security of wealth may now be facing unanticipated housing, food, or job insecurity. Without assets and wealth, families are just one crisis away from financial adversity, since assets provide cushion during hard times and a steppingstone toward financial independence and future prosperity. Wealth delineates families who are economically secure and those who may be, but only for now. Wealth projects a longer timeline of financial stability for children and families than solely examining income. Basing our understanding of resource need primarily on income may underestimate the extra support that low-wealth youth, families and communities need to find long-term economic prosperity and mobility.[11]

Income and education are not quick fixes for the wealth gap, for high-income and highly educated Black Americans still have much less wealth than their White peers.[12] Family wealth generally increases with higher educational attainment within every major racial and ethnic group in the U.S. However, there are two important respects in which education's association with wealth differs systematically by race and ethnicity.

- At every level of educational attainment, the wealth effects of education for Hispanics and Black Americans are lower than they are for White and Asian Americans.
- Hispanics and Black Americans see smaller increases in wealth than do White and Asians Americans when moving to a higher level of education.[13]

In recent years, data show the overall net worth of minorities continues to rise, but not at the same pace as White families.[14] The racial wealth gap persists through income and educational gains among Americans of color due to a history of discriminatory policies and structural problems in the U.S.[15]

Median Net Worth by Household Income, United States: 2016



Source: Brookings Institution

Historical Steps to the Current Gap

Those who lost property and wealth during the destruction of Black Wall Street received no compensation or amends for what they lost.

The current wealth gap is rooted in our country's beginning with the institution of chattel slavery. Enslaved African and Black Americans were considered assets of labor, which created assets and wealth for their White enslavers. This institution started the economic ripples of wealth, impacting multigenerational advantages and disadvantages. After Emancipation, a variety of policies were introduced to help build wealth for individuals, however, there was clear discrimination within these policies which have impacted families of color today.[16]

The destruction of Black Wall Street in Tulsa, Oklahoma, in 1921 exemplifies the acts of racism and bigotry faced by people of color (particularly Black families) trying to build their wealth. Black Wall Street was one of the most prosperous Black American communities in the United States. In a time when racism was resurging through Jim Crow laws, the creation of this powerful Black community was intentional. In this community, Black families were able to find prosperity. The average income of Black families in the area exceeded today's minimum wage. Black Wall Street was seen as a modern, sophisticated community that boasted banks, hotels, cafés, movie theaters, a strong educational system, and contemporary homes with indoor plumbing. The success of Black Wall Street, which grew from 18,000 residents in 1910 to 100,000 residents in 1920, demonstrated that without any discriminatory policies or subjugation, Black Americans were capable of creating vast wealth.

Demolition of The Avenue did not just impact Indianapolis' Black culture, but it also ruined generations of building wealth.

As a result of mass migrations to the area, driven in part by increased job opportunities and economic prospects, the Black population of Tulsa boomed and began to demand for equality. Despite its economic prosperity, White residents and outsiders referenced the Black community as predisposed to crime and in need of social control. These bigoted stereotypes helped White residents justify the deadly violence against Black Wall Street. In May 1921, a Black man allegedly attempted to rape a White woman. White Tulsa residents retaliated against this alleged incident by sparking two days of unprecedented racial violence. On the ground and in private aircraft, 35 city blocks went up in flames, 300 people died, and 800 were injured. The riot and its aftermath served to effectively impede the prosperity of Black Americans. Those who lost property and wealth during the destruction of Black Wall Street received little to no compensation or amends for what they lost. After the community was destroyed, Black residents were offered below market value for their property. The White residents who perpetrated the riots faced little to no legal consequences. The government and private industry worked in concert to bring down land prices to maintain White dominance of the Tulsa area. Greenwood residents attempted to rebuild following the destruction, but the community never regained the same economic standing.[17] This violent event encapsulates how American history and society has purposefully diminished and hampered the accumulation of wealth for minority Americans, Black Americans, in particular.[18,19]

Indiana Avenue in the heart of Indianapolis also flourished economically and culturally during this era. "The Avenue" was home to Madam C.J. Walker's majestic theater and haircare product manufacturing company, prominent Black churches, Black newspapers, and Black-owned businesses. Indiana Avenue was called "Indianapolis Harlem" and rivaled Black Wall Street in commerce and entrepreneurship. Like Black Wall Street, The Avenue was intentionally built by and for the Black community. Through robust Black business leaders and workforce, the Black community contributed significantly to the economy of Indianapolis, though few profited from the wealth being generated. Black residents of Indianapolis were unable to afford rent and mortgages in many neighborhoods around the city, so the community faced housing shortages and substandard living conditions. The expansion of Indiana University's Indianapolis campus and an interstate highway through The Avenue displaced many residents and worsened living conditions.[20]

Most of the music venues were erased by the 1970s as part of urban renewal projects centering on "slum displacement," though this was a mischaracterization of most of The Avenue. Due to Indianapolis' residential segregation, affluent professionals lived alongside poorer manual laborers on the Avenue, fostering a commercial center for Black individuals. By the mid-1970s, Indiana Avenue and its surrounding neighborhoods suffered from systemwide subjugation, destroying 100 years of Black neighborhoods, culture, businesses, and potential wealth accumulation.[21] Today, almost every historic building on and around the Avenue was demolished by urban planners hoping to develop the area.[22]

Demolition of The Avenue did not just impact Indianapolis' Black culture, but it also ruined generations of building wealth. Multiple generations of Black families lived, owned, and visited the businesses, theatres, restaurants, and jazz clubs on The Avenue. As the city destroyed these properties, the wealth families had accumulated through property ownership also disappeared.[23] As discussed in the 2021 KIDS COUNT® Data Book, Indianapolis remains a segregated city based on both racial and socioeconomic lines.

- As of 2019, 53.4% of all households in Marion County were owner occupied (202,628). Of the total 202,628 owner occupied homes, 75.3% were White homeowners (152,531), though 64.3% all households in the County were White. Disproportionate to the 29.2% of all households were Black, only 19.5% were Black homeowners (39,479).[24]
    - In comparison to 2010, homeownership rates in Marion County have declined. In 2010, 57.5% of homes were owner occupied (204,452). Of the total 204,452 owner occupied homes, 79.0% were White homeowners (161,499), which was higher than percentage of White households of the Count at 68.6%. Black homeownership

homes were owned by Black Hoosiers (34,307) compared to 25.6% of all households were Black.[25]

was similarly disproportionate to the percentage of Black households as 16.8% of the total owner occupied homes were owned by Black Hoosiers (34,307) compared to 25.6% of all households were Black.[25]

- 48% of Black residents in Marion County live in majority-Black neighborhoods.[26]
- Home values in majority-Black neighborhoods are lower than in other Marion County neighborhoods. The median home value in in 2018 Marion County is $129,200; in the county's majority-Black neighborhoods, it drops to $87,821—more than a $41,000 gap. When comparing the home values of majority-Black neighborhoods to neighborhoods that are not majority-Black, this gap grows to more than $52,000.[27]

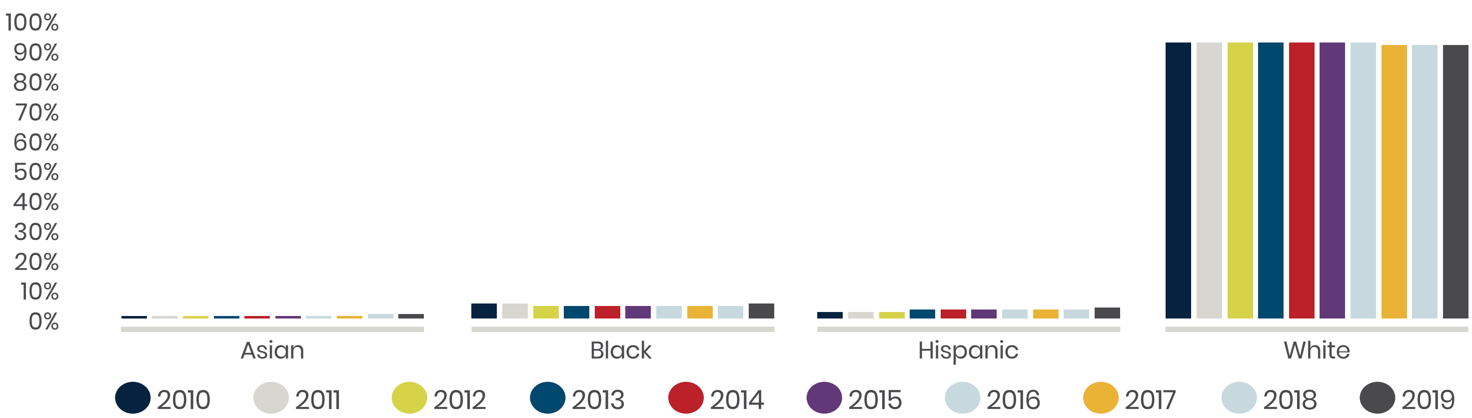
Throughout the 20th century, local, state, and federal policies regarding access to housing, credit scores, and government loans created long-term and invisible effects on family wealth, as people of color were not able to buy homes and develop the equity that would pass wealth to their children and grandchildren. People living in poor neighborhoods had trouble obtaining mortgages for homes, regardless of their individual creditworthiness, due to the Federal Housing Administration's redlining policies.[28] Although Black and Hispanic families saw their wealth grow in the latter part of the 20th Century and the early 2000s, the Great Recession reversed this trend. From 2008 to 2010, families of diverse racial and ethnic backgrounds lost 30% of their net wealth. After 2010, as White families' wealth stabilized, Black and Hispanic families continued seeing their wealth drop by 20%.[29]

Factors Impacting the Wealth Gap

In addition to our nation's historical policies, present social and economic factors influence the wealth gap throughout the U.S. and in Indiana. These factors intersect with the overall economic well-being, health, and education of children.[30]

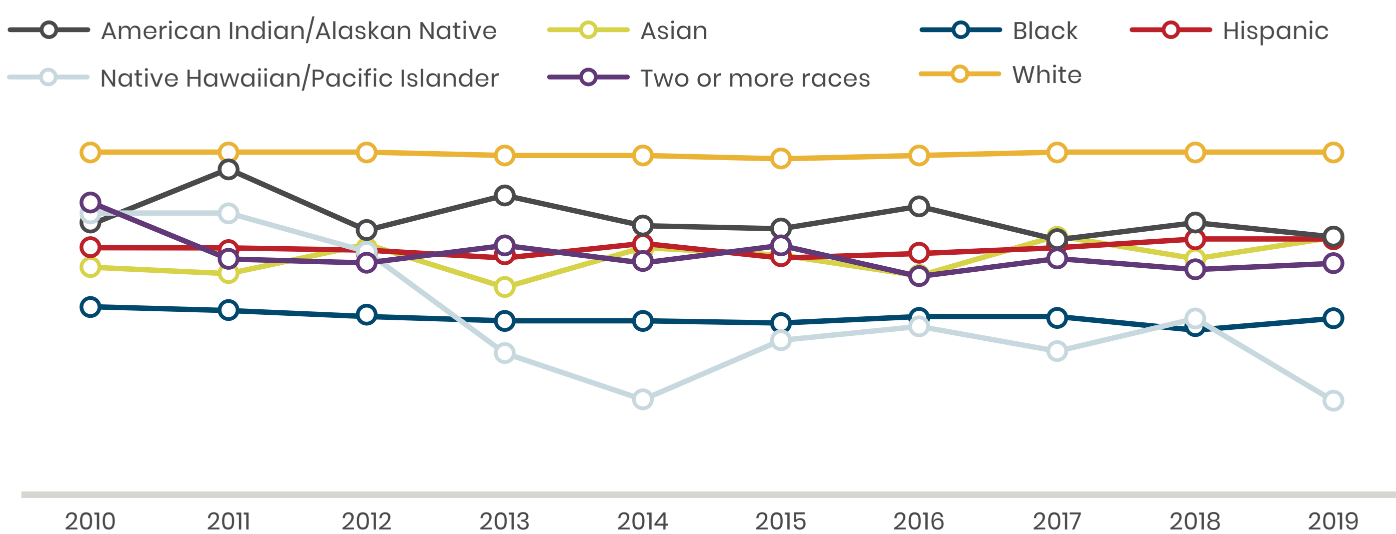
Family homeownership and asset building: Family assets are the net value of a family's pool of financial and nonfinancial resources. Home ownership can serve as a vehicle for building wealth, long-term residential stability, and intergeneration economic mobility. Moderate or high housing-cost burdens can result in families having trouble meeting needs and reducing spending on children needs and enrichment activities.[31]

Percentage of Homes Owned by Race/Ethnicity, Indiana: 2010–2019



Source: U.S. Census Bureau, Tables B25003A-I

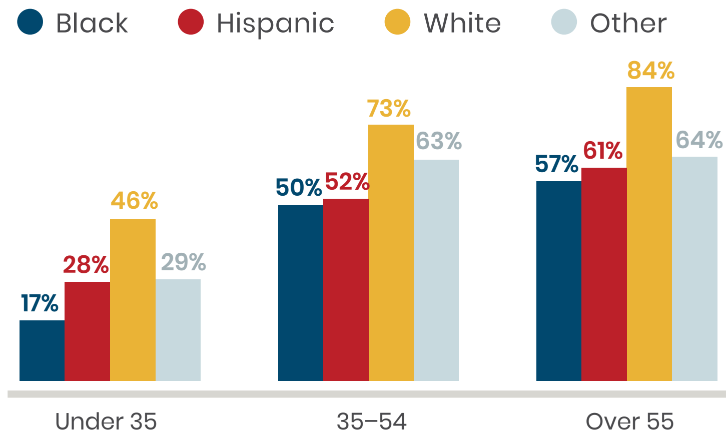
Percentage of Homeownership by Race/Ethnicity, Indiana: 2010–2019



Source: U.S. Census Bureau, Tables B25003A-I

- In Indiana, there are between 2.4 and 2.5 million housing units. Of the total housing units available, Hoosiers own around 1.8 million, which is a homeownership rate of around 70%. When disaggregating owned housing units by race and ethnicity, meaning how many houses are owned by different subgroups rather than the percentage of different races and ethnicities who own homes, significant disparities emerge.[32]
- In 2019, 91% of homes in Indiana are owned by White Hoosiers, though 82.8% of the population is White. Black residents are 9.6% of Indiana's population, and Hispanic residents are 7.2%, but only 5.2% and 3.9% of homes are owned by these subgroups, respectively.[33] This was calculated by comparing the number of homes owned by racial/ethnic subgroup (e.g., Black-owned homes) to the total number of homes owned in Indiana.
- The percent of homeownership when comparing homes owned by race and ethnicity (e.g., Black-owned homes) to the total housing units occupied by that particular subgroup (e.g., total Black housing units) still has disparities between White Hoosiers and their peers.[34]

Homeownership Rates by Age and Race/Ethnicity, United States: 2019



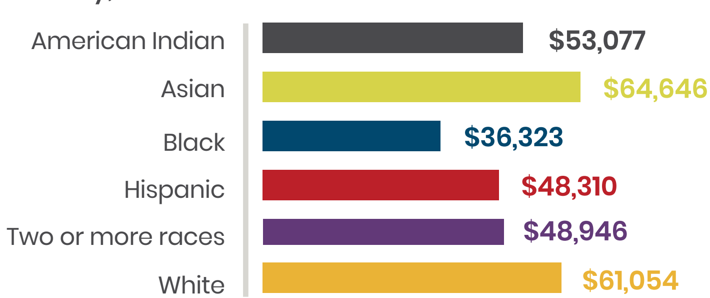
Source: The Federal Reserve, 2019 Survey of Consumer Finances

- Nationally, homeownership rates rise with age, but similar differences in homeownership emerges based on race and ethnicity.[35]
- As homeownership by racial/ethnic minorities lags behind White Americans, those who do own homes still are unable to accumulate as much equity and wealth from their property due to devaluation. Nationally, homes of similar quality in neighborhoods with similar amenities are worth 23% less ($48,000 per home on average, amounting to $156 billion in cumulative losses for Black Americans) in majority-Black neighborhoods, compared to neighborhoods with very few or no Black residents. When examining the devaluation of homes in majority-Black neighborhoods in other Indiana cities, similar trends to those in Indianapolis emerge.[36]
  - In Fort Wayne, the median price of homes in neighborhoods with a population of 1-5% Black residents is $158,803. In Fort Wayne neighborhoods with a population of 20-50% Black residents, the price decreases to $107,683. For homes in majority-Black neighborhoods with Black residents 50% and above, the price drops to $74,914.
  - When comparing not majority-Black neighborhoods with majority-Black in Evansville, median home prices decrease by over $100,000. In neighborhoods with a population of less than 1% Black residents, the median price of homes was $179,464 in 2018. The median price of homes in neighborhoods with a population of 1-5% Black residents decreases to $153,089. For majority-Black neighborhoods with 50% or more of Black residents, the median price for homes was $72,293.
  - In Muncie, the devaluation of homes in majority-Black neighborhoods was not as steep as Fort Wayne and Evansville but is still present. The median price of homes with a population of 1-5% Black residents is $72,339. For Muncie's majority-Black neighborhoods, the median price is $58,735.[37]

Most Indiana cities see a devaluation of homes in majority-Black neighborhoods.

Family Income: Cash flow from investments and the wages received from employment are family income. Higher incomes are connected to better outcomes for youth in health and education, since basic needs, like food and shelter, are secured.[38]

Median Income in the Past 12 Months by Race/Ethnicity, Indiana: 2019



Source: U.S. Census Bureau, Table S1903

- Indiana's median income for 2019 was $57,603, the 38th highest in the U.S.[39]
- Indiana is ranked 39th in the U.S. for income inequality. This ranking is based on an income gap between the top 1% to the bottom 99%. The most unequal county in Indiana is Dubois County where the top 1%. earns 30.2 times more than the bottom 99%.[40]
- Indiana's overall median income is not the same for every Hoosier family. When disaggregating household income by race and ethnicity, disparities because of racial and ethnic diversity is evidenced as the median income for Black households, $36,323, is 37% below statewide median income, and 40% less than White households. The median Hispanic household earns 21% less than the median White household.

Family Savings: This factor describes the tools and benefits families can access to turn income into savings and wealth for themselves and their communities. This factor includes having a savings account to purchase basic needs or help cover unexpected life events, such as illness or job loss.[41]

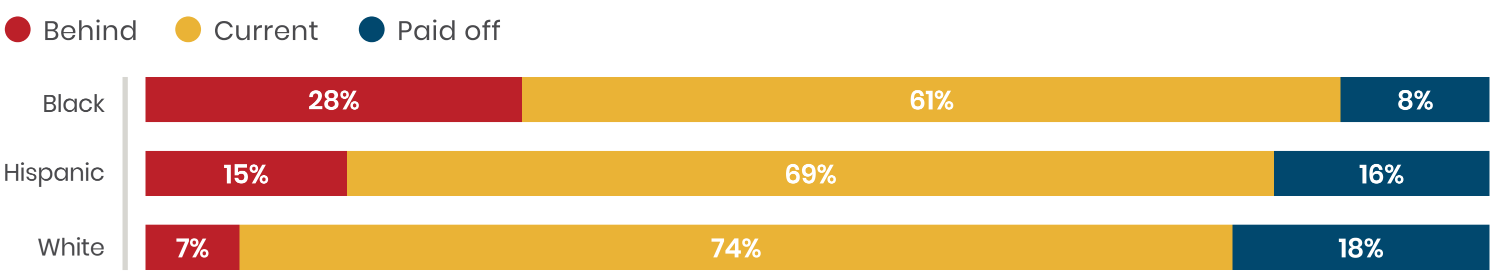
- Families can transfer their wealth to their children through inheritances, gifts, or other family supports, which in return could help that child purchase a home or finance postsecondary education. Family wealth transfer within families.
- The table to the right shows wealth transfer within families. Nearly 30% of White families have received inheritance, 20 percentage point difference from Black families and 23 percentage points from Hispanic families. White families are substantially more likely to receive inheritances and other forms of wealth and family support than Black and Hispanic families.
- The tax code also favors home ownership and certain types of retirement savings, which further compounds the wealth gap. There is the direct gap of not having a home or savings and then further losing out in a secondary way through being unable to access those tax benefits.[42]
- In Indiana, the majority of postsecondary financial aid recipients are White students (68%), followed by Black students (14%); students identified as "Other" (includes students with an undeclared race/ethnicity; Native American/Alaskan Native; Two or More Races; and Native Hawaiian race/ethnic groups) receive 9%; Hispanic students (7%); and Asian students (2%).[43]
- Black students are more likely than their peers to rely on loans to finance their education, due in large part to their families holding less wealth than others, and thus take on debt further impacting their ability to accumulate wealth. Though higher education can be the gateway to pursuing or continuing wealth for some youth, the historical lack of wealth creates a cycle that can be challenging to overcome.[44]
- The median defaulter takes out slightly over $9,600—just more than one-half of what the median non-defaulter borrows. Once borrowers defaulted, it can be hard to climb out of debt. 45% of defaulters have not found a solution to return their most recent default back to good standing. Of the 55% of defaulters who resolved their most recently defaulted loans, almost one-half did so by paying off the debt, which could require them to pay large amounts in collection costs. Additionally, each year nearly 100,000 borrowers default on their loans for a second time. Often, these students did not earn their degree, which compounds the difficulty to building wealth – they have growing debt and nothing to show for it.[45]
- Black and Hispanic borrowers of educational loans are more likely than White borrowers to be behind on their loan repayment and are also less likely to have repaid their loans. These patterns, in part, reflect differences in rates of degree completion, wages, and family support.[46]

Inheritances and Other Family Support by Race/Ethnicity, United States: 2019

	Black	Hispanic	Other	White
Received an Inheritance	10.1%	7.2%	17.8%	29.9%
Expect an Inheritance	6.0%	4.2%	14.7%	17.1%
Could get $3,000 from family or friends	40.9%	57.8%	63.4%	71.9%
Parent(s) have a College Degree	24.8%	15.2%	40.0%	34.4%

Source: The Federal Reserve, 2019 Survey of Consumer Finances

Payment Status for Educational Loans by Age and Race/Ethnicity, United States: 2018



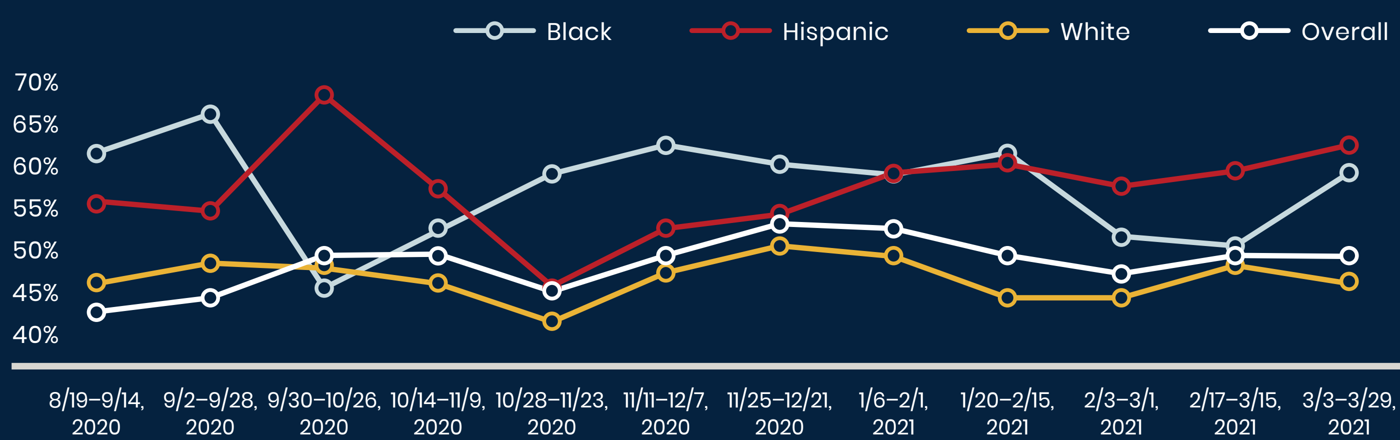
Source: Federal Reserve System

COVID IMPACT

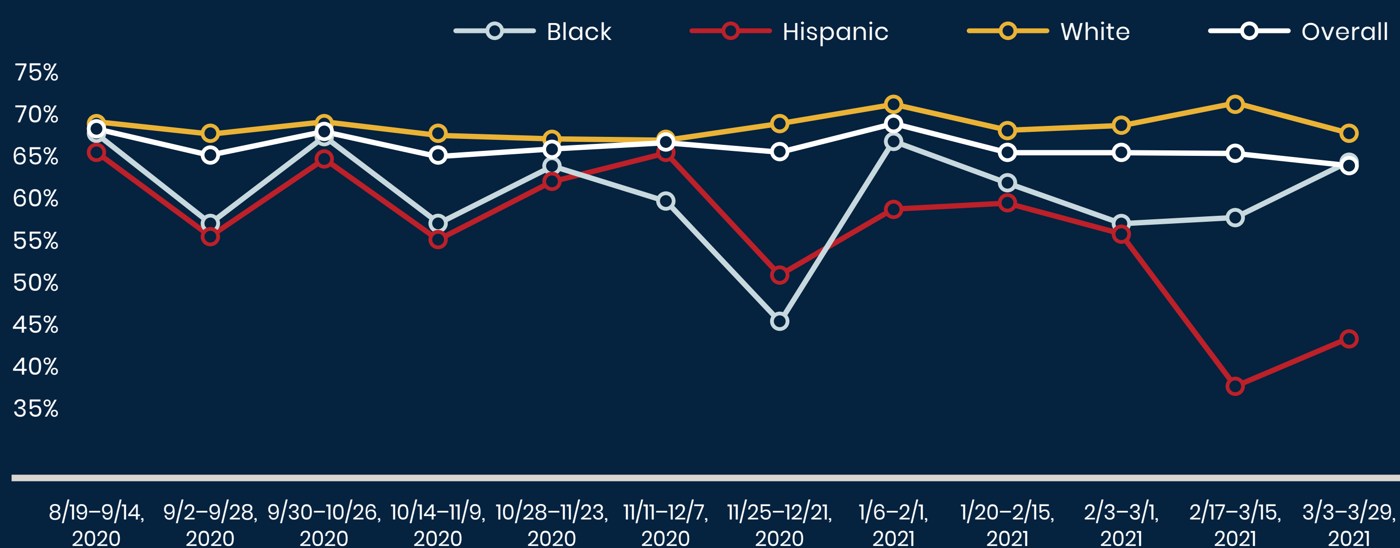
When unexpected emergencies occur, family wealth can provide a child with stability and protection. During the COVID pandemic, wealth, especially liquid wealth (resources that can be readily converted into cash) allowed families to bounce back from unexpected events and expenses resulting from the pandemic. The racial gaps in wealth left Black and Hispanic Hoosiers vulnerable to the financial hardship during this tumultuous time.[47]

In Indiana, the percentage of Black and Hispanic households with children who lost employment during the pandemic has trended above the total percentage of households with children, illustrating how COVID may exacerbate current economic well-being disparities. Additionally, Black and White adults living in households with children in Indiana have experienced greater fluctuation in employment week to week during the pandemic.[48] Without assets and liquid wealth, Black and Hispanic Hoosier households with children may face increasing housing insecurity, which could lead to higher eviction and foreclosure rates, as well as greater food and health insurance insecurity than White households.

Adults Living in Households with Children Who Lost Employment Income by Race/Ethnicity, Indiana: August 19, 2020 - March 29, 2021



Adults Living in Households with Children Who Were Employed in the Past Week by Race/Ethnicity, Indiana: August 19, 2020 - March 29, 2021



Source: U.S. Census Bureau, Household Pulse Survey

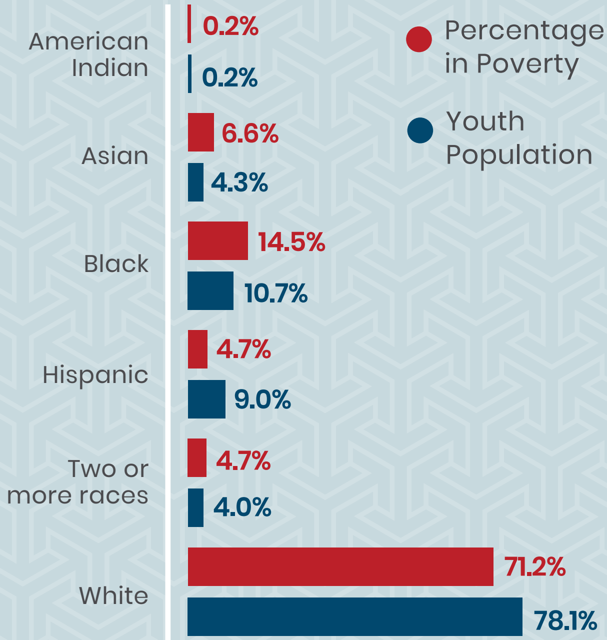
Note: Data for American Indian, Asian, and Two or more races households were either suppressed or unavailable.

Locally:

- **Take into account community asset poverty as a personal finance challenge:** This approach will examine poverty and wealth not merely on an individual basis, but by neighborhoods and communities. Local non-profits, youth serving organizations, and governments can examine both the deficits and assets of children and families. In addition to tangible assets in communities (such as cultural resources, businesses, and public amenities), local governments and organizations can also consider intangible assets of community members, such as marketable skills, social capital, and social supports.
- **Identify assets (public and private) that can assist a household's economic development:** Because community context is foundational to Hoosiers generating income and wealth, Indiana's town and cities can focus on ways to boost the community's wealth, which will impact those residing in the community. For example, Virginia's cities recently embarked on a Community Wealth Building program that will help regenerate income and wealth for their inhabitants. Through this coalition, the cities created initiatives related to urban regeneration, education, and human services. More information is available here.
- **Create entrepreneurship pathways for Opportunity Youth:** Opportunity youth are young people who are between the ages of 16 to 24 years old and are disconnected from school and work.[49] In 2019, Indiana was ranked 26th for teens ages 16 to 19 that are neither enrolled in school nor working (7%). This is both higher than the 2019 national average of 6% and an increase from Indiana's 2018 percentage rate of 6%.[50] Older youth 18 to 24 years old have high numbers of individuals living in poverty when compared to other adult segments of the population, however, disproportionality also exists within poverty rates for older youth disaggregated by race and ethnicity.[51]

  To help re-engage this population in the labor force and establish self-sufficient career trajectories for this population, local communities could leverage funding through Title I of the Workforce Innovation and Opportunity Act to create entrepreneurial-focused pathways. These pathways could consist of a portfolio of integrated options that can help these young people reengage in education, earn a high school diploma or equivalent, enroll in postsecondary education and training that leads to meaningful credentials with value in the labor market, and ultimately enter careers with family sustaining wages. One example is the Youth Entrepreneurship Fund (YEF) developed by the Aspen Institute, which defines this type of pathway as consisting of entrepreneurial education (adapted to the needs of opportunity youth); hands-on workplace experiences such as internships or job shadowing; entrepreneurship supports such as mentoring, business incubation or counseling, and access to seed capital; and wraparound case management and stabilization supports.[52]

Percentage of Youth Ages 18 to 24 in Poverty by Race/Ethnicity Compared to Overall Population Ages 18 to 24, Indiana: 2019



Source: U.S. Census Bureau, Tables B17001A-I

Statewide:

- **Expand how poverty and low-income are defined in the State's funding policies:** The State provides additional funding to schools and districts through the complexity component in the Basic Grant for student tuition. For each student in the SNAP, TANF, and foster care systems, the State allocates an additional $3,685 in per-pupil funding to school districts. Beyond these three indicators, additional factors that indicate the wealth, not merely the income, of students and communities would provide the State with a better understanding of the financial stability and prosperity of districts, as well as give the resources to meet students' needs. In addition to qualifying for a government program, the State can consider the following factors in its policies and funding related to equity:
  - Median income,
  - Homeownership rates,
  - Percentage of children living with a single parent, and
  - Average educational attainment of population.

  Texas reformed its state education funding model in 2019 to allocate funding based on students' census block groups and the severity of poverty using the factors above. With the passage this new law, state allocations of additional funding for high-poverty schools switch from a flat-rate to scaled system, depending on socioeconomic tier of the students. More information is available here.

- **Create structural opportunities for asset building:** To help lower income families develop wealth, the State can help provide financial incentives and contributions for evidenced-based strategies aimed at building savings accounts. Automatic enrollment and providing initial deposits can help **Children's Savings Accounts** reach more families and encourage them to save. Enrollment and participation in CSA programs may also increase families' educational expectations for their children.[53] **Individual Development Accounts** (IDAs) through the Indiana Housing and Community Development Authority match the account holder's deposits 3-to-1. To receive the match-money, savers must use their money for an approved investment, such as paying for school, buying a home, or starting a business.[54] An IDA pilot program evaluated in Tulsa, OK showed an increase access to homeownership and nonretirement financial asset-holding among renters.[55] Expanding these and similar strategies, microenterprise support, anti-predatory lending policies, and community development efforts, could all help Hoosier youth build their wealth.
- **Disaggregate job creation and wage growth at the community-level:**A foundational element for wealth accumulation is access to high-wage jobs that yield an income allowing families to generate savings and buy homes. Because there may be multiple communities within one county, Indiana's state agencies can further disaggregate its labor data to go beyond the county-level to the community-level. Using either census tracts or zip codes, providing community-level data will give both local and State leaders, policymakers, and youth serving organizations a more quantified, nuanced understanding of where poverty persists in Indiana. Disaggregating job creation and wage growth specifically by community-level will allow for leaders and decision makers to know which specific community and neighborhood resources and strategies need to target to help Hoosiers begin to accumulate wealth.
- **Measure and report Earned Income Tax Credit (EITC) use in relation to SNAP and TANF:** The federal EITC and SNAP programs are the largest means-tested transfer programs for low-income working parents in the United States. TANF, as discussed further below, has a narrower focus on those families living in deep poverty (below 100% FPL). To understand how Hoosiers may be benefitting from these programs, the State can measure and report how many people are using each program's benefits. Transparency regarding the participation relationship of these three programs will allow both state entities and community-based organizations and programs understand the effectiveness and reach of government programs. Because expanded EITC benefits may reduce the need for TANF or food stamp benefits, quantifying the participation overlap and differences will allow for greater understanding of how these programs lift families out of poverty.
- **Extend State EITC eligibility to non-custodial parents:** Extending State EITC eligibility to noncustodial parents can benefit those who work and pay their child support in full. A noncustodial parents EITC would operate like the child-based EITC, providing a refundable tax credit to low-income working parents and encouraging work. Under current federal income tax rules, low-income noncustodial parents are ineligible for the EITC benefits available to low-income families with children, even when they support their children through full payment of child support. A noncustodial parents EITC policy can reduce this disparity and increase incentives for work and payment of child support. The State can limit a noncustodial parents EITC to those in the child support enforcement program, as is done in New York and Washington, D.C., to simplify the administration of this new EITC. Custodial families could also benefit from the increased child support payments produced in response to the incentives generated by an NCP EITC.[56]

Nationally:

- **Recognize that personal finance is impacted mainly by forces beyond the control of a household:** Because wealth tracks over generations, the policies that suppressed different communities' abilities to generate wealth in the 1920s and 1930s impacted multiple generations. The economic inequalities and withholding from large swaths of Americans – particularly those of color – will not be corrected solely through present day activities and policies. Intentionality in reducing wealth disparities will need to be maintained over decades to allow everyone a chance at achieving the American Dream.
- **Expand EITC benefits to childless older youth:** Workers ages 18 to 24 without qualifying children are ineligible for the EITC. As a result, the federal EITC lifts few low-income young adult workers without qualifying children out of poverty. As well, the social benefits realized by EITC recipients with qualifying children, such as improved long-term health, career, and education outcomes, do not extend to recipients without qualifying children because they receive smaller tax credits.[57] As denoted above, 1 of every 5 Hoosier (21.1%) ages 18 to 24 is living in poverty.[58] Expanding EITC benefits – a program recognized for bringing low-income individuals into the labor force – can reduce the poverty rates and raise the employment rates of young adults in Indiana.[59]

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