ON THE ROAD TO ECONOMIC SECURITY

Exploring Economic Security Pathways Using The Self-Sufficiency Standard for Connecticut

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The conclusions and opinions contained in this document do not necessarily reflect the opinions of those listed above. Any mistakes are the author's responsibility.

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INTRODUCTION

This report is the second of two complementary reports that address the issue of economic security for Connecticut households. The Self-Sufficiency Standard approach to economic security consists of three elements: securing the costs of daily basic needs, creating an emergency savings fund, and choosing the appropriate asset-building Economic Security Pathway(s). The first report, *The Self-Sufficiency Standard for Connecticut 2015*, covers the first two elements, while this report focuses on the third element of asset-building.

Many researchers and policy analysts have concluded that the Federal Poverty Level (FPL), developed half a century ago, is not only methodologically out of date, but also no longer accurately measures poverty.[1] Even the Census Bureau characterizes the federal poverty measure as a "statistical yardstick rather than a complete description of what people and families need to live."[2] Designed to address the major shortcomings of the FPL, the Self-Sufficiency Standard was developed to provide a more accurate, nuanced, and up-to-date measure of income adequate for basic needs.[3]

The first step to achieving economic security is meeting household basic needs at a minimally adequate level. *The Self-Sufficiency Standard defines how much income families of various sizes and composition need to make ends meet without public or private assistance in each region of Connecticut.* The Standard calculates a family-sustaining wage that does not require choosing among basic necessities such as nutritious food, adequate housing, or child care.

1 Ruggles, P. (1990). *Drawing the line: Alternative poverty measures and their implications for public policy.* The Urban Institute, Washington, D.C.; Bergmann, B. & Renwick, T. (1993). *A budget-based definition of poverty: With an application to single-parent families.* The Journal of Human Resources, 28 (1), 1-24.; Citro, C. & Michael, R. Eds. (1995). *Measuring poverty: A new approach.* Washington, DC: National Academy Press.
2 Dalaker, *Poverty in the United States: 2000.* (U.S. Census Bureau, Current Population Reports, Series P60-214). U.S. Government Printing Office (Washington, D.C., 2001).
3 The Self-Sufficiency Standard was developed in the mid-1990s by Diana Pearce as an alternative "performance standard" in the workforce development system, to measure more accurately and specifically what would be required to meet the Job Training Partnership Act Program goal of "self-sufficiency" for each individual participant. The development of the Standard also benefited from other attempts to create alternatives, such as Living Wage campaigns, the National Academy of Sciences studies, and Trudi Renwick's work. For more detail on the Standard, see http://www.selfsufficiencystandard.org/pubs.html

However, as shown in the first report, *The Self-Sufficiency Standard for Connecticut 2015*, the Standard is admittedly a conservative measure. It is a "bare bones" budget with costs set at minimally adequate levels with no extras. For example, the food budget has no take-out or restaurant food, not even a pizza or a cup of coffee. Realistically, achieving incomes at the Self-Sufficiency level should not be assumed to mean the achievement of economic security, but is instead the first and necessary, but not sufficient, step. All families need additional resources in order to be able to weather any unexpected income loss. In short, after having secured the cost of basic needs (as measured by the Standard)—the next step toward increased economic security is emergency savings. *The Self-Sufficiency Standard for Connecticut 2015* includes a separate emergency savings calculation that estimates how much each household needs to save on a monthly basis to have a "rainy day" fund that would cover basic needs in case of an unforeseen job loss.

This report, assuming that basic needs and emergency savings have been secured, details the costs of taking the next steps towards economic security, which we call Economic Security Pathways, or ESPs. Specifically, this report looks at the costs associated: (1) postsecondary education, (2) more secure housing, and (3) retirement. It is not assumed that every family can or should take any or all of these pathways. Rather, by providing this information, this report enables individuals and households to make informed choices as to which ESPs make the most sense for their situation and family.

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

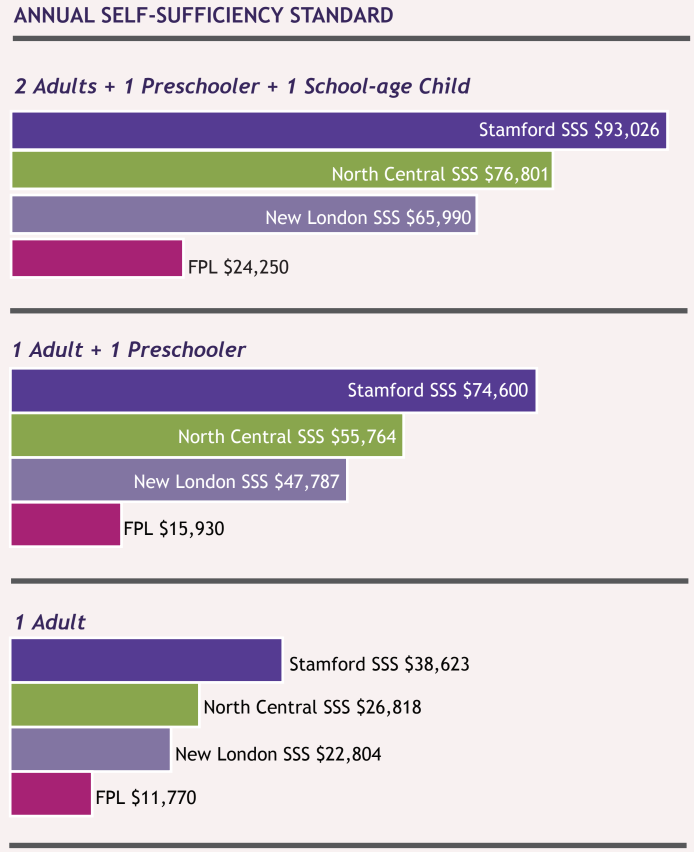
The Self-Sufficiency Standard

The Self-Sufficiency Standard is a measure of income adequacy that is based on the costs of basic needs for working families: housing, child care, food, health care, transportation, and miscellaneous items, as well as the cost of taxes and the impact of tax credits. In addition, the Standard provides for each family type, in each place, the amount of emergency savings required to meet needs during a period of unemployment or other emergency.

The Standard calculates the amount needed to meet each basic need at a minimally adequate level. At the same time, these are the full market costs calculated ***without public or private assistance***. As a result, the total cost of meeting basic needs is substantially higher than the Federal Poverty Level (FPL), which is, for example, only $24,250 for a four-person family. Moreover, the FPL is the same, regardless of location or family composition. In contrast, the Standard has significant variation by family type and where one lives, as can be seen in **Figure A**.

The Standard uses data that are drawn from scholarly or credible sources such as the U.S. Census Bureau, and that meets strict criteria of being accurate, regularly updated using standardized and consistent methodology, and which is age and geographically specific. For Connecticut, the Self-Sufficiency Standard is calculated for 23 regions and 152 possible household combinations. The data components of the Standard and the assumptions included in the calculations are provided in Appendix A of *The Self-Sufficiency Standard for Connecticut 2015*. The full report and data for all 152 family types can be accessed at: www.selfsufficiencystandard.org/pubs.html.

FIGURE A. Annual Self-Sufficiency Standard for Select Family Types and Regions, Compared to the FPL, 2015



FPL = Federal Poverty Level SSS = Self-Sufficiency Standard

NOTE: The annual Self-Sufficiency Standard is shown before adding the emergency savings fund. Emergency savings are intended to cover living expenses when there is job loss, and is the amount needed to do so, net of the amount expected to be received in unemployment benefits. For one adult households, the emergency savings fund adds $412 per year in New London and $584 per year in Stamford. For households with one adult and one preschooler, the emergency savings fund increases annual Standard by $820 in New London and $1,409 in Stamford.

ECONOMIC SECURITY PATHWAYS

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

Once a family has secured income at the Self-Sufficiency Standard level and instituted their emergency savings fund, the road to long-term economic security will be different for each. For some, this might be additional savings, to meet immediate costs (such as a car breakdown) or to ensure sufficient resources for the long-term costs of retirement. For others, paying off debts may be the first priority. For still others, income beyond that needed for the essentials may be devoted to securing alternative housing, enabling the family to move, thus leaving an abusive partner or a problematic neighborhood.

Considered here are three key pathways that adults can take to move closer to long-term economic security (1) postsecondary education, (2) improved housing and/or homeownership, and (3) savings for retirement. For each of these pathways varying alternatives are presented, so that users of this report can explore a range of potential options and compare the costs of each one. The numbers provided are meant to give the user estimates of what and how much the costs might be for each security pathway. Of course, the actual costs for an individual family or householder will be determined by their unique situation and choices.

For each Economic Security Pathway costs are shown as specifically as possible and, when data allows, the ESP costs are shown by region. In addition, for each ESP, example scenarios are modeled. These suggest different options and timeframes using various scenarios to illustrate how the ESP data can be used flexibly, in combination with the Self-Sufficiency Standard, public work supports, and private assistance to move along a given pathway. Note that these scenarios are meant to be illustrative rather than definitive, and to suggest how the ESP data presented here can be used to help plan for future asset-building.

Economic Security Pathway #1
Postsecondary Education

True long-term self-sufficiency increasingly requires human capital investments that enhance skills as well as improve access to jobs with career potential. In today's economy, one cannot easily maintain and move beyond the basic Self-Sufficiency level without a technologically advanced and broad-based education. A high-school diploma no longer has the same value it once did in the job market, as businesses are increasingly requiring higher skill levels from potential employees.[1] Advanced education provides the flexibility to move into new, innovative, or nontraditional jobs and careers. Postsecondary education not only leads to wages well above the Self-Sufficiency level, but these jobs also provide benefits, increased stability, and have promotion and salary increase potential. As an investment, education is generally an excellent way to achieve economic security, for unlike other assets, it cannot be taken away or foreclosed on. The higher earnings that result can enable the achievement of other economic security goals, such as buying a house or saving for retirement.

In 2007 PCSW sponsored the report, *Overlooked and Undercounted: Where Connecticut Stands*, which details the number and characteristics of households below the Self-Sufficiency Standard in Connecticut. That report found that higher levels of education lead to increased income adequacy. Of working-age householders in Connecticut with less than a high school degree, only half had adequate levels of income. Even with a high school degree, 26% lacked adequate income. In contrast, more than 90% of householders with a college degree or more have adequate income.[2]

POSTSECONDARY EDUCATION NOT ONLY LEADS TO WAGES WELL ABOVE THE SELF-SUFFICIENCY LEVEL, BUT THESE JOBS ALSO PROVIDE BENEFITS, INCREASED STABILITY, AND HAVE PROMOTION AND SALARY INCREASE POTENTIAL.

Given this, human capital investment requires attending postsecondary vocational training in specialized institutions, community college which provides two-year associate degrees or certificates in specialized fields, or a four-year college or university. Almost all postsecondary education or training requires resources for tuition, thus requiring monetary investment, as well as addressing decreased wages if attendance cannot be combined with full-time work.

HOW MUCH DOES POSTSECONDARY EDUCATION COST?

Among the many options for postsecondary education, three types of postsecondary education are presented here: post-high school certificates, two-year community college degrees, and four-year bachelor's degrees.

Post-High School Certificate. There are hundreds of different options for post-high school certificates in Connecticut across many different fields. For example, Middlesex Community College offers a Biotechnology Technician certificate which trains workers for positions in local biotech firms. Three Rivers Community College offers an Accounting Assistant certificate that trains workers for entry level accounting positions.

These certificate programs vary in terms of the amount of academic credits required to earn the certificate, from 20 credits (less than two terms) to a full two years, with most certificate programs falling in between. As a result, the costs vary considerably by the type of certificate, how many credits are needed to complete it, and the specific institution at which it is offered.

To illustrate costs, we have shown in **Table 1** a specific certificate program that is found at each state-supported local community college. For each certificate program, the total program-specific costs are estimated, including tuition, fees, books, and supplies.[3] Given that the per credit hour cost is the same at all community colleges in Connecticut, the variation in cost reflects the number of credit hours required to complete the certificate. The costs range from about $4,000 to about $7,500, with the least expensive certificate program shown being the Accounting Assistant program offered at Asnuntuck Community College, at about $4,500 for a

1 Harry Holzer & Robert Lerman, "America's Forgotten Middle Skill Jobs: Education and Training Requirements in the Next Decade and Beyond," The Workforce Alliance (2007), Washington, D.C., http://www.urban.org/UploadedPDF/411633_forgottenjobs.pdf (accessed June 1, 2011).
2 Diana Pearce, "Overlooked and Undercounted: Where Connecticut Stands," Center for Women's Welfare (2007), University of Washington School of Social Work, http://www.selfsufficiencystandard.org/docs/Connecticut_demographic2007.pdf

3 Cost estimates are for illustrative purposes only, and prospective students should contact the school for cost details. If total program cost was provided by the school, that estimate is shown. Otherwise, the estimate is based on the posted rate and fees per credit, plus the average cost of books and supplies for community college students.

TABLE 1. Estimated Cost of Selected Community College Certificate Program, Connecticut

NAME OF COMMUNITY COLLEGE	CERTIFICATE PROGRAM	CREDIT HOURS	ESTIMATED TOTAL COSTS
Asnuntuck Community College	Accounting Assistant	20	$4,450
Manchester Community College	Computer Maintenance Technology	22	$4,895
Norwalk Community College	Building Efficiency and Sustainable Technology	26	$5,784
Capital Community College	Computer Programming	27	$6,007
Quinebaug Valley Community College	Medical Coding Specialist	28	$6,229
Middlesex Community College	Biotechnology Technician	29	$6,452
Northwestern CT Community College	Medical Assistant	30	$6,674
Three Rivers Community College	Accounting Assistant	30	$6,674
Tunxis Community College	Dental Assistant	30	$6,674
Housatonic Community College	Advanced Manufacturing Machine Technology	34	$7,564

Note: The cost of the certificate program is an estimate for illustrative purposes only. Contact the community college for specific details. Cost estimates are based on tuition, fees, books and supplies. The estimate is based on the posted tuition rate and fees per credit plus the average cost of books and supplies for community college students.

TABLE 2. Estimated Annual and Total Cost of Bachelor's Degree, Full-Time, Public 4-Year Institutions, Connecticut

NAME OF PUBLIC COLLEGE OR UNIVERSITY	1ST YEAR				TOTAL COST FOR A FULL-TIME STUDENT OVER FOUR YEARS
	Tuition & Fees	Books & Supplies	Room & Board	Total	
Central Connecticut State University	$9,300	$1,079	$11,134	$21,513	$90,196
Eastern Connecticut State University	$10,016	$1,079	$12,108	$23,203	$97,290
Southern Connecticut State University	$9,600	$1,079	$11,626	$22,305	$93,520
University of Connecticut	$13,366	$1,079	$12,012	$26,457	$110,947
Western Connecticut State University	$9,516	$1,079	$11,738	$22,333	$93,638
4-Year Average	$10,360	$1,079	$11,724	$23,162	$97,118

Note: The 2015-16 rates for tuition and fees and room and board are inflated to future years based on the 10-year average change in costs for 4-year public colleges among New England states. Books and supplies are inflated using the average change in costs between 2009-2013 for 4-year public colleges.

20-credit program.[4] Most of the certificate programs require more credits and time for completion, and are in the $5,000 to $7,000 cost range. For example, the Medical Assistant certificate at Northwestern Connecticut Community College has an estimated cost of $6,674 and is a 30 credit program.

Community College Two-Year Degree. Tuition for community colleges in Connecticut is set by the Connecticut Board of Regents for Higher Education, and is the same across the state. The annual full-time total for tuition and fees for the 2015-2016 school year is $4,072. On average, community college students spend $1,210 annually on books and supplies. In total, the cost of a two-year community college degree (not including living expenses), is $10,679 if attending full time (two years) and $10,912 if attending part time (four years).

THE ESTIMATED TOTAL COST OF ATTAINING A BACHELOR'S DEGREE FROM A PUBLIC INSTITUTION IN CONNECTICUT IS $97,118 ON AVERAGE.

If a student attends part time they are available to work full time while attending school, but must consider that educational costs continue to rise each year. Although going part time reduces the *annual* cost of attending college to only $2,728, the total cost of attending part time over four years

4 Most community college courses are three credits per semester. The amount of time it will take to complete a certificate program will depend on the timing of course offerings at the community college. Contact an academic advisor for more detail, if you are interested in pursuing a community college certificate.

is slightly higher than for two years, $10,912 compared to $10,679, due to the anticipated inflation in tuition and other costs over the longer time period.

Bachelor's Degree. **Table 2** shows the cost of attaining a bachelor's degree from a public four-year college or university in Connecticut. The costs assume full-time attendance (32 credits per year) for four years. Included in the total cost are tuition, fees, books and supplies, as well as room and board. Costs are inflated for the three future years of attendance, using the average increases over the last decade. The estimated total cost of attaining a bachelor's degree from a public institution in Connecticut is $97,118 on average. The least expensive is Central Connecticut State University, where the cost of a bachelor's degree is $90,196, while the most expensive is the University of Connecticut, where the total cost is $110,947.

MEETING THE COSTS OF EDUCATION

As shown above, postsecondary education can be expensive, particularly for a four-year degree. An approach favored by many students is to use a combination of grants, scholarships, and loans. Among full-time students in public community colleges, 58% of students have federal grants averaging $4,396 and 21% have student loans averaging $4,826. Among full-time students in public 4-year institutions, 39% of students have federal grants (most commonly, Pell grants) averaging $4,540 and 53% have student loans averaging $6,454.[5]

A second approach to financing education is to reduce costs. One way to reduce costs is to spread it out over time, so that one can continue full-time employment while in school. For four-year degrees, another way to reduce costs is to commute from home rather than pay room and board. Note that on average in Connecticut the cost of room and board is just over half of the cost of a four-year degree (51%), so this strategy could potentially cut the cost of this degree in half. Finally, a third approach is to combine work and private and public assistance of various kinds.

5 U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS), Spring 2002 through Spring 2013, "Table 331.20, Full-time, first-time degree/certificate-seeking undergraduate students enrolled in degree-granting postsecondary institutions, by participation and average amount awarded in financial aid programs, and control and level of institution: 2000-01 through 2011-12," https://nces.ed.gov/programs/digest/d13/tables/dt13_331.20.asp (accessed April 6, 2015).

OF WORKING-AGE HOUSEHOLDERS IN CONNECTICUT WITH LESS THAN A HIGH SCHOOL DEGREE, ONLY HALF HAD ADEQUATE LEVELS OF INCOME. EVEN WITH A HIGH SCHOOL DEGREE, 26% LACKED ADEQUATE INCOME. IN CONTRAST, MORE THAN 90% OF HOUSEHOLDERS WITH A COLLEGE DEGREE OR MORE HAVE ADEQUATE INCOME.

SCENARIO

Meeting the Cost of Higher Education

The first scenario presented here is that of a woman we will call Elizabeth Jones. Ms. Jones is a 25-year-old single mother with a 4-year-old preschooler, living in Hartford. She has a high school degree and works as a retail salesperson earning $10.79 per hour ($22,000 annually), the median wage among retail salespersons in Connecticut.[1] She also receives $198 per month in child support, the average amount received by families participating in the Child Support Program in Connecticut.[2] According to the Self-Sufficiency Standard, a family of her type living in Hartford requires $22.14 per hour or $3,826 per month, just to meet her basic needs. Since her $10.79 wage amounts to about half of the minimum she needs, her wages alone cannot meet the cost of basic needs for her family. To meet her basic needs, Ms. Jones receives help from her mother and state assistance programs:

1. Ms. Jones lives with her mother and only pays half of the housing cost.
2. She is eligible for child care assistance through the state and pays $478 per month for her preschooler instead of the full market rate child care cost of $1,052.
3. She is also eligible for food assistance though the Supplemental Nutrition and Assistance Program (SNAP/food stamps) and the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC).
4. In addition, her health care costs are lower than the Self-Sufficiency Standard as she and her child are covered through Connecticut's HUSKY Health program.

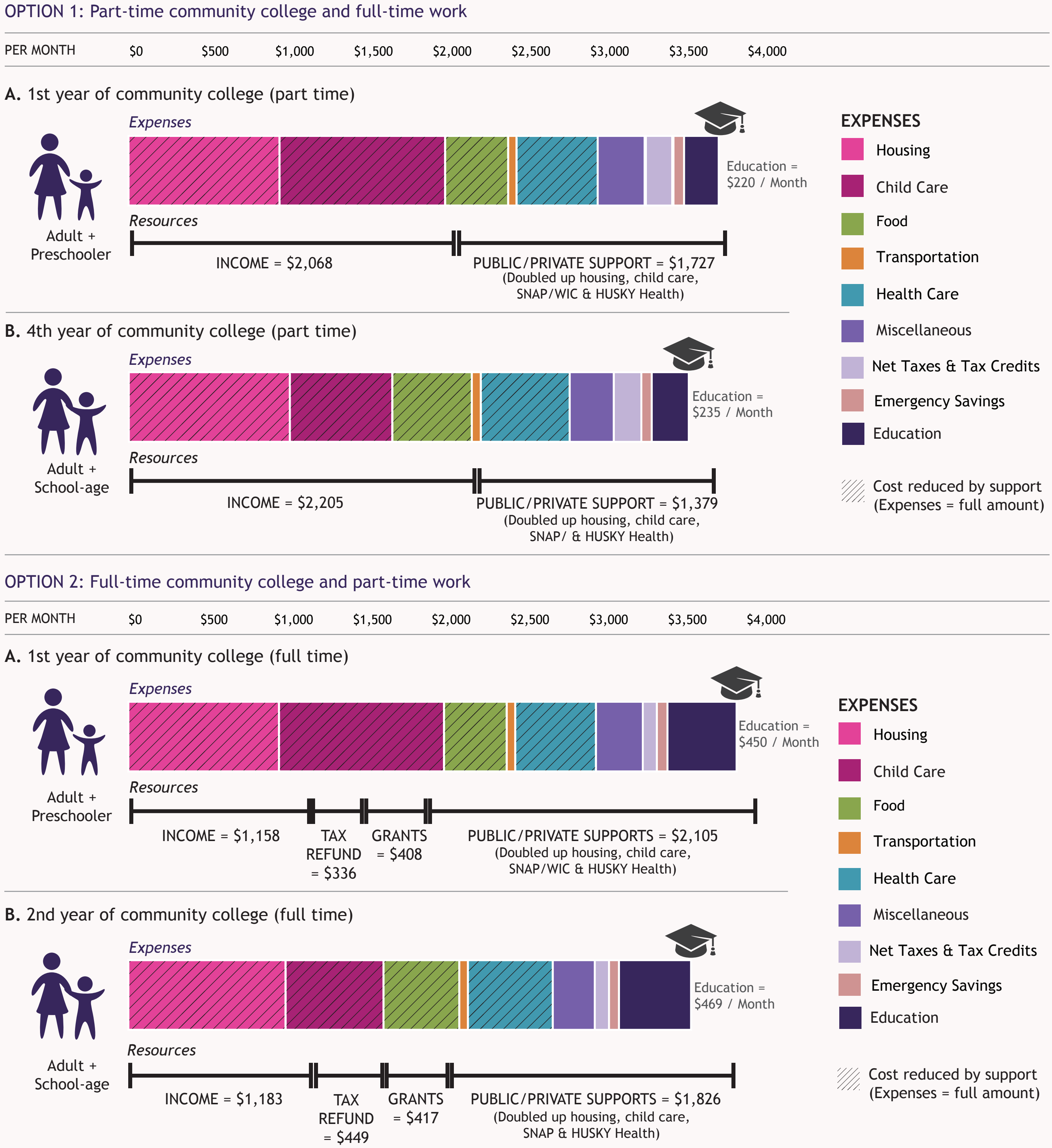
Overall, Ms. Jones' resources cover her family's basic needs with just enough extra to consider attending her local community college. She has decided to obtain an associate degree from Capital Community College, in computer and information systems. Although getting this degree will cost about $10,000, she expects to work as a web developer, which will enable her to have earnings above her Self-Sufficiency Wage, enabling her to support her family without assistance.[3] Below we explore two options for how she can achieve the goal of attaining her associate degree.

Option 1. This option is "pay as you go," which means that Ms. Jones attends school part time over a period of four years, while continuing to work full time (see Figure B). The monthly cost of attending school part time is affordable on her tight budget both because the costs are less (on average over four years it is only $227 per month for tuition, fees, books, and supplies) and because she is receiving supports that reduce her living costs. The first bar shows her expenses according to the Self-Sufficiency Standard plus the cost of education. The resources illustrate how private and public assistance helps her close the gap between her income and her family's needs. Her income and expenses are assumed to increase slightly each year with inflation. Overall, public and private supports cover $1,727 of her monthly expenses. As her young child ages from a preschooler to a school-age child over the four years, her costs change somewhat as well (e.g. child care costs go down as her child starts school but food costs increase).

Note that she has a monthly surplus of about $200 per month and will also be receiving refundable tax credits totaling about $4,000 annually. Those funds may provide her with some reserves to add further to her emergency savings fund, or be used to secure other ESPs, such as alternative housing, a needed vehicle, etc. These funds may also be used to meet some of her basic needs if she was unable to obtain all of the work supports modeled here.

1 U.S. Department of Labor, "May 2013 State Occupational Employment and Wage Estimates," Databases and Tables, Occupational Employment Statistics, http://www.bls.gov/oes/data.htm (accessed February 18, 2015).
2 U.S. Department of Health and Human Services, Administration for Children & Families, Office of Child Support Enforcement, "FY 2013 Preliminary Report," Tables 4, 14, 15 and 75, http://www.acf.hhs.gov/programs/css/resource/fy2013-preliminary-report (accessed August 28, 2014). Data has been inflated using the Bureau of Labor Statistics Consumer Price Index. U.S. Department of Labor, Bureau of Labor Statistics, "Northeast Region All Items, 1982-84=100 - CUURA101SA0," Consumer Price Index, http://data.bls.gov/cgi-bin/surveymost?cu (accessed December 1, 2014).
3 Visit http://www.onetonline.org/ to explore career options and find local salary information and training programs.

FIGURE B. Public and private supports close the gap between wages and expenses to allow a working single mother to attend community college. *Expenses and resources shown per month for Hartford, CT 2015*



RESOURCE ASSUMPTIONS: Income is based on employment as a retail salesperson ($10.79 per hour) and an average child support award ($198 per month). Public and private supports include living with her mother, child care assistance, food assistance (SNAP and WIC for preschooler), and HUSKY Health. Savings is based on her previous year tax refund from the annual refundable EITC & CTC. Grants assumes the average full-time 2-year student award.

INCOME ASSUMPTIONS: Living expenses are based on costs included in the Self-Sufficiency Standard. The 2015 Standard for one adult and one preschooler living in Hartford is $3,826 per month. The 2015 Standard for one adult and one school-age child living in Hartford is $3,316 per month. Education expenses are based on full-time attendance at Capital Community College and includes the monthly cost of tuition, fees, books, and supplies. While education expenses are not typically paid on a monthly basis, they are shown as such to illustrate how they can fit into a monthly budget.

INFLATION ASSUMPTIONS: Expenses change with each year to reflect the child aging plus resources and expenses are updated with inflation. For illustration purposes, it is expected that expenses, wages, and income eligibility levels will increase at the same rate with each year modeled.

Option 2. A second approach is that of "saving first, then school" (see Option 2, Figure B). In this scenario, Ms. Jones continues to work full time as a retail salesperson for the year before beginning school to build her savings (not shown). When she is working full time and saving for school, she receives around $4,000 total annually in refundable tax credits shown monthly in Figure B. Over the next two years, she is able to attend school full time while working part time. Once she starts school full-time, she reduces her work to part-time, and with her lower earnings, she receives over $5,000 in refundable tax credits annually. Each academic year, her resources to cover her expenses consisit of a combination of her (saved) refundable tax credits, federal grants, and continuing private and public assistance.

If Ms. Jones receives the average financial aid award of a full-time community college student, about $4,900 annually or $400 per month, towards her education expenses, 90% of each year's educational costs would be covered. In this option, while she attends college full time, she continues to receive supports to help meet the costs of her basic needs, which actually increase in value as her earned income decreases. That is, with lower earnings from part-time work, her child care and food assistance increase. At the same time, she continues to rely on private assistance as well (such as "doubling up", i.e., moving in with a relative to save on housing costs while attending school).

Education, which economists call "human capital" is a key asset and pathway to economic security. Moreover, it is one asset that cannot be taken away. The intent of the above calculations and detailed scenarios is not to be prescriptive, but rather to make clear that this pathway is realistic and doable.

NOTE ON "DOUBLING UP" VERSUS HOUSING ASSISTANCE

We use "doubling up" rather than housing assistance in our modeling because it is a more likely scenario. (By doubling up we refer to two or more households—whether family, friends, or roommates—living together to reduce the cost of housing.) Although families with income below 80% of area median income are technically eligible for federal housing assistance, most assistance for new program participants is limited to families with extremely low income (defined by HUD as income below 30% of area median income). According to the Center for Budget and Policy Priorities, only one in four households that are eligible for housing assistance receives any housing assistance; moreover, most agencies have years-long waiting lists for housing assistance.[1] In short, public housing assistance is not a likely option for most low-income households. For this reason, several of the scenarios in this brief rely on households "doubling up" as a way to reduce housing costs.

1 Center on Budget and Policy Priorities (2008), "What is Public Housing?," http://www.cbpp.org/files/policybasics-housing.pdf.

Economic Security Pathway #2
Housing

Whether it involves moving to more stable rental housing, or becoming a homeowner, achieving improved housing stability is an important step towards economic security. Families may need to move for a variety of reason: seeking better schools, job opportunities, or into a specific community; moving out of "doubled up" housing, shelter or transitional housing; leaving an unsafe situation (such as domestic violence); or escaping a rental market with rapidly rising rents. The Standard presumes that all households are renters, but it only includes the *ongoing* cost of rent and utilities, and does not include the costs of *getting into* more secure housing. Two options for achieving more secure housing are discussed here, alternative rental housing and homeownership.

ALTERNATIVE RENTAL HOUSING

This option presumes that the household is now living in housing that is, for example, "doubled up," with no security deposits or other savings. Thus securing alternative rental housing requires savings to cover the costs of moving into rental housing, including the cost of the first month's rent, a security (damage) deposit, and moving expenses. These costs are calculated as follows:

1. The monthly rental cost is based on the housing cost calculated in the Self-Sufficiency Standard for Connecticut, which uses the most recent Fiscal Year Fair Market Rents (FMRs). FMRs are calculated annually by the U.S. Department of Housing and Urban Development (HUD) for each state's metropolitan and non-metropolitan areas. FMRs, include utilities (except telephone and cable) and are intended to reflect the cost of housing in the current market that meets minimum standards of decency.[1] FMRs are typically set at the 40th percentile meaning 40% of the housing in a given area is less expensive than the FMR.[2]
2. The security deposit is equal to one month of rent.
3. Moving costs are quoted costs for a full service (movers and a truck) move by bedroom size and by county for licensed and insured moving companies.[3]

Costs vary by both the size of the housing unit, and the housing costs in a region. **Table 3** shows the total savings required by region in Connecticut and by the size of a housing unit. Families that require a three or four bedroom housing unit need savings from about $3,000 to nearly $7,000 to move to alternative rental housing, depending on the region. In the most expensive region, Lower Fairfield, a family needing a four bedroom unit requires $6,962 to secure alternative housing. In contrast, a household with no children, requiring only a one-bedroom unit, needs to save a minimum of $2,000 in most Connecticut regions but need $3,000 or more in the more costly regions.

1 Not all rental units include the cost of utilities. However, deposits may be required for new utility customers. Including the full FMR covers the cost of securing utilities when not included in the rent itself. For information on avoiding utility deposits see https://www.consumer.ftc.gov/articles/0220-utility-services.
2 In Connecticut, the metropolitan areas of Hartford and New Haven are set at the 50th percentile.
3 Note that the Standard assumes adults and children do not share bedrooms, and so by definition a household with children requires at least a two-bedroom housing unit.

TABLE 3. Estimated Cost to Relocate to Alternative Rental Housing, Connecticut 2015

	BEDROOM SIZE					BEDROOM SIZE			
REGION	1	2	3	4	REGION	1	2	3	4
Bridgeport	$1,985	$2,492	$3,473	$3,787	New Haven	$2,348	$2,902	$3,849	$4,276
Danbury	$2,445	$3,247	$4,283	$5,316	New London	$1,645	$2,116	$2,926	$3,352
Greater Danbury	$2,687	$3,542	$4,663	$5,737	North Central	$2,173	$2,682	$3,577	$4,125
Greater New Haven	$2,468	$3,057	$4,064	$4,501	Northeast Corner	$1,798	$2,352	$3,165	$3,543
Greater New London	$1,963	$2,533	$3,460	$3,968	Northwest Corner	$1,873	$2,365	$3,222	$3,771
Greater Waterbury	$2,114	$2,599	$3,483	$3,892	Stamford	$3,310	$4,087	$5,327	$6,536
Greater Windham	$2,171	$2,743	$3,651	$4,204	Stratford	$2,072	$2,602	$3,617	$3,942
Hartford	$1,871	$2,305	$3,106	$3,577	Upper Connecticut River	$2,183	$2,697	$3,590	$4,143
Hartford Suburbs	$2,239	$2,764	$3,678	$4,240	Upper Fairfield	$2,973	$3,750	$5,119	$5,569
Lower Connecticut River	$2,470	$3,262	$4,674	$4,828	Waterbury	$1,815	$2,195	$2,968	$3,249
Lower Fairfield	$3,531	$4,362	$5,669	$6,962	Windham	$1,580	$2,060	$2,800	$3,135
Naugatuck Valley	$2,123	$2,624	$3,584	$3,963					

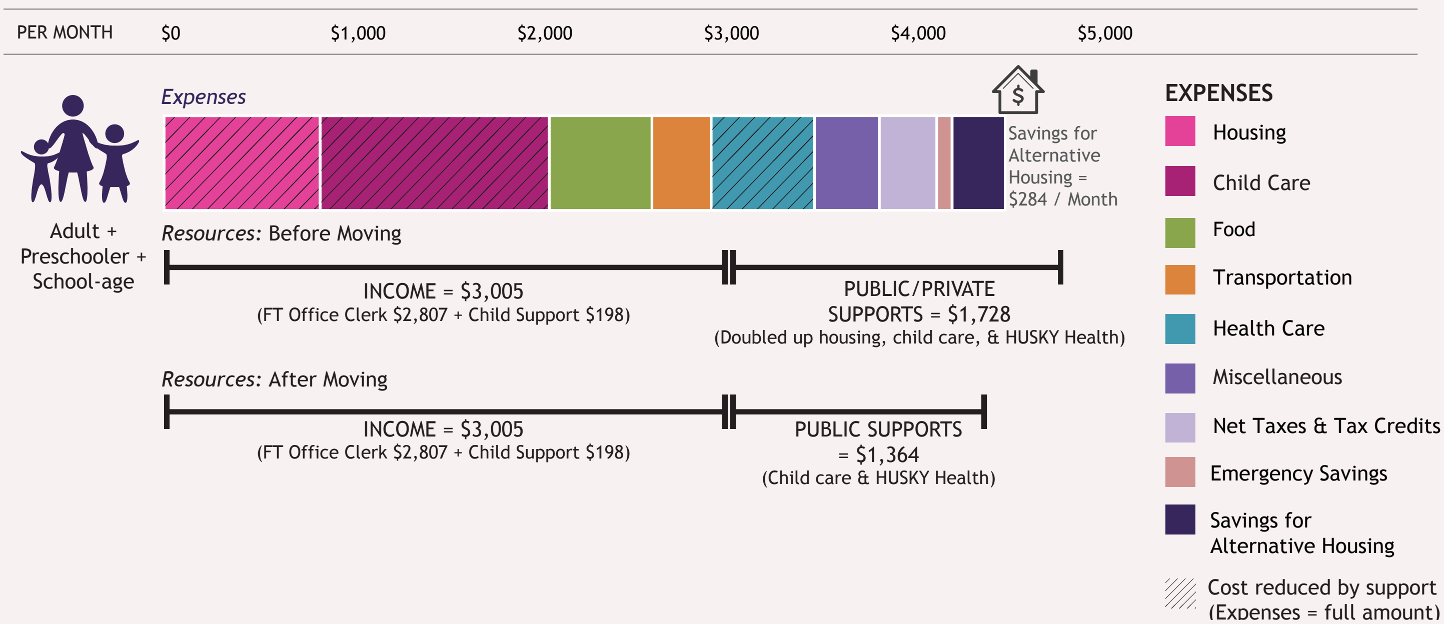
SCENARIO

Meeting the Cost of Alternative Housing

The Miller family includes a mother with two young children (one preschooler and one school-age child) living in Windham. Ms. Miller works as an office clerk and earns about $33,000 annually ($2,807 per month), the median earnings of office clerks in Connecticut (see Figure C). She also receives a monthly child support payment of $198 per month. If her children were older, this wage would be adequate, but with the higher child care costs of younger children her wages only cover 71% of her Self-Sufficiency Standard ($4,220 per month). However, she is able to meet her family's needs with the help of her parents, with whom she lives and who share the cost of rent. Additionally, at her income level she is eligible for child care assistance and the HUSKY Health program. By getting support with housing, child care, and health insurance, Ms. Miller earns enough to meet her basic needs, and build her emergency savings fund, and has a surplus of $568 per month. She has decided that she needs to secure alternative rental housing.

To live independently and move into her own apartment, she will need to save $836 for a security deposit, another $836 for first month's rent, and $387 for moving costs, for a total of $2,060, to secure a two-bedroom apartment in Windham (see Table 3). If she saves half of her monthly surplus ($284 per month), in a little over seven months she will save enough to move into her own apartment. With the continued aid of child care and health care assistance, her monthly earnings are enough to cover the full cost of a two-bedroom rental but she will have a smaller surplus per month. This scenario requires the help of child care and health care assistance plus child support, otherwise she cannot afford the increased housing costs on her current salary.

FIGURE C. Public and private supports close the gap between wages and expenses to allow a working single mother to secure alternative housing. *Expenses and resources shown per month for Windham, CT 2015*



Resource Assumptions: Income is based on employment as an office clerk (median wage is $16.19 in Connecticut) and an average child support award ($198 per month). Public and private supports include living with her parent, child care assistance, and HUSKY Health.
Expense Assumptions: Living expenses are based on costs in the Self-Sufficiency Standard. The 2015 Standard for one adult, one preschooler, and one school-age child living in Windham is $4,453 per month ($25.30 per hour).

HOMEOWNERSHIP

Owning a home has been considered part of the "American dream," and an investment that can provide long-term security. However, the single most expensive "big ticket" item for most families is the purchase of a home. At the same time, depending on the local housing market, it may also cost less to own than rent, especially when the homeowner's mortgage interest tax deduction is taken into account. Homeownership may also provide more economic certainty, particularly if families are able to secure long-term fixed rate mortgages, thus avoiding rent increases. Homeownership is an important long-term security pathway for many families, but the upfront costs can be quite high.

The costs of becoming a first time homeowner are calculated for "starter" homes, those at the 25th percentile. Costs for purchasing a starter home include: down payment, closing costs, and moving costs. The ability to afford the ongoing costs of homeownership, including the mortgage payment, insurance, taxes, utilities, repairs and upkeep, will vary depending on household income.

1. The most important determinant of homeownership costs is the price of the house, as both down payment and closing costs vary by the price of the home. There is considerable variation in home values between Connecticut regions, from a low of $112,600 in Waterbury to a high value of $348,400 in Stamford (see **Table 4**).
2. The second most important determinant of the cost of becoming a homeowner is the amount of down payment, which is calculated as a percentage of the sales price. Unless you qualify for a VHA or FHA loan or other special program, normally at least 10% is required, and more typically, 20%.[4] With the average price of a starter home in Connecticut of $193,300, the average down payment would be $19,300 (10%) or $38,660 (20%). However, there is much variation in the down payment amounts, reflecting house price variation, depending on the region.[5]
3. Unlike down payment and closing costs, moving costs are not determined by the home value. Moving cost estimates for a 3-bedroom home vary slightly by region from $695 in New London to $717 in New Haven.

Altogether, the costs of purchasing a starter home, including down payment, closing costs, and moving costs, can vary substantially by region, as shown in Table 4. For example, purchasing a home in Waterbury, where houses are the least expensive in the state, with the lower down payment of 10%, would cost a family about $13,000. Purchasing a starter home in Stamford, the region with the highest cost housing, would be about $39,500 with a 10% down payment and nearly $74,000 with a 20% down payment.

Note that lower down payments typically result in higher interest rates and/or other increased costs, such as mortgage insurance (PMI), that increases the monthly mortgage payment.

TABLE 4. Estimated Savings Required to Purchase a Starter Home by Percentage of Down Payment, CT 2015

REGION	STARTER HOME VALUE (25th Percentile)	Total Savings Needed (Includes Down Payment, Closing Costs, & Moving Costs)	
		10% Down	20% Down
Connecticut Average	$193,300	$21,810	$40,944
Bridgeport	$132,800	$15,209	$28,354
Danbury	$223,200	$25,076	$47,169
Greater Danbury	$259,472	$29,035	$54,719
Greater New Haven	$180,584	$20,426	$38,301
Greater New London	$185,100	$20,899	$39,221
Greater Waterbury	$279,031	$31,172	$58,792
Greater Windham	$188,580	$21,294	$39,960
Hartford	$121,700	$14,000	$26,046
Hartford Suburbs	$176,400	$19,970	$37,431
Lower Connecticut River	$213,600	$24,010	$45,152
Lower Fairfield	$283,300	$31,635	$59,677
Naugatuck Valley	$217,630	$24,470	$46,011
New Haven	$143,900	$16,423	$30,667
New London	$152,500	$17,341	$32,436
North Central	$179,633	$20,323	$38,104
Northeast Corner	$159,600	$18,137	$33,935
Northwest Corner	$183,350	$20,729	$38,878
Stamford	$348,400	$38,741	$73,227
Stratford	$199,900	$22,532	$42,319
Upper Connecticut River	$213,600	$24,010	$45,152
Upper Fairfield	$283,300	$31,635	$59,677
Waterbury	$112,600	$13,007	$24,152
Windham	$159,600	$18,137	$33,935

4 Typically on a conventional loan, if your down payment is less than 20 percent of the value of the home, lenders will require you to carry mortgage insurance (typically $30-70 per month for every $100,000 borrowed). For more information see http://www.zillow.com/mortgage-rates/buying-a-home/mortgage-insurance-and-pmi/.

5 Note the costs of initial homeownership do not include any monthly mortgage payments or reserves held in personal savings to cover emergency mortgage payments.

SCENARIO

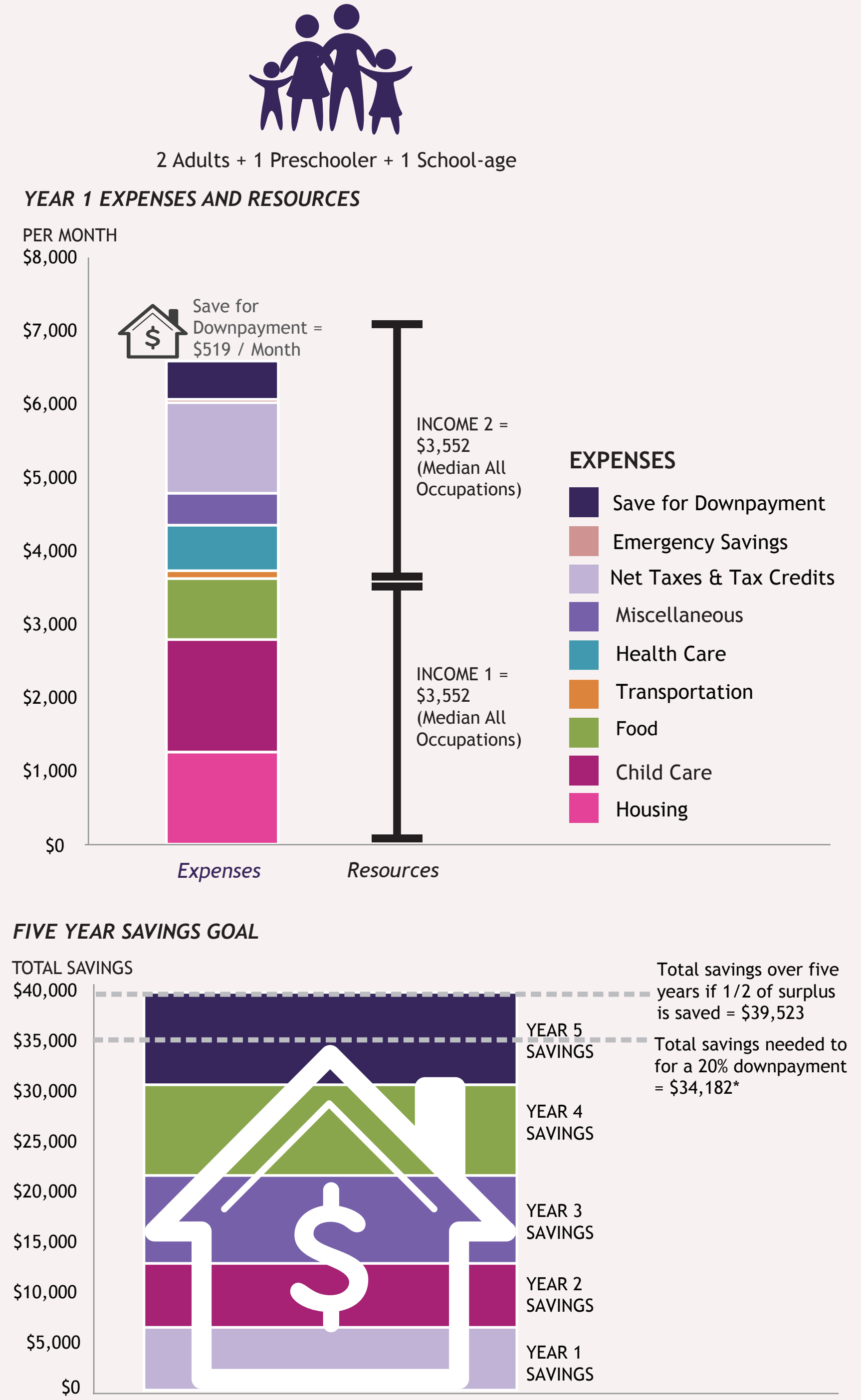
Meeting the Cost of Homeownership

This scenario, shown in **Figure D**, models Mr. and Mrs. Baker who live in New Haven with their preschooler and school-age child. Mr. and Mrs. Baker both work full time in occupations paying the equivalent to the median across all occupations in Connecticut. In total they bring home about $7,104 per month which is 117% of their Self-Sufficiency Standard. The Bakers are considering homeownership as their next step in reaching economic security.

The Bakers hope to find a starter home for around $144,000 (the 25th percentile of home values in New Haven). To become homeowners, the Bakers would need to save $28,780 for a 20% down payment, $1,170 for closing costs, and $717 for moving costs, for a total of $30,667 before inflation (see Table 4).

If they save half of their surplus earnings each month, which is $519 in year one, after five years they will have saved enought to cover a 20% down payment, closing costs, and moving costs of a starter home in New Haven. However, note that this scenario, unlike the alternative housing scenario described above, does not calculate whether the family is able to afford the ongoing costs of homeownership, including the mortgage payment, insurance, taxes, utilities, repairs and upkeep, which may total more or less than their current housing costs.

FIGURE D. Saving monthly for the goal of homeownership pays off overtime. *Expenses and resources shown per month for New Haven, CT 2015*



EXPENSE Assumptions: Living expenses are based on costs in the Self-Sufficiency Standard. The 2015 Standard for two adults, one preschooler, and one school-age child living in New Haven is $5,602 per month ($15.92 per hour, per adult).
INFLATION ASSUMPTIONS: Expenses change with each year to reflect the children aging plus resources and expenses are updated with inflation. For illustration purposes, it is expected that expenses. wages, and downpayment goal will increase at the same rate with each year modeled.
* Downpayment goal for a starter home in New Haven is $30,667 before inflation.

Economic Security Pathway #3
Saving for Retirement

Although the benefits of saving for retirement can seem far-off, particularly for younger families, retirement savings are an important priority for long-term economic security.[1] Data suggests that even now Social Security does not provide adequate income for most individuals during retirement, and is likely to be even less adequate in the future. Social Security is the largest single source of income for both men and women over 65 today, more than earnings, pensions, and assets combined. Yet more than a third of elders, find themselves in "near poverty," i.e., incomes that are less than 200% of the official poverty level.[2]

In addition, although Medicare was originally intended to meet elders' medical needs once they were no longer covered by employer-provided health benefits, Medicare no longer does so. In fact, elders even with Medicare are spending an increasingly higher proportion of their income on health care costs, often as much if not more than before Medicare.[3] Indeed, recent research using the Supplemental Poverty Measure, which takes into account the impact of "necessary expenditures," (which includes health care) find that health expenditures push many elderly below the poverty level, substantially increasing the proportion of the elderly deemed "poor" by this alternative version of the federal measure.[4] ***Thus saving for retirement is crucial for achieving economic security beyond the working years.***

Once a family or individual is able to meet their basic needs, the sooner they are able to begin saving for retirement, the better, as early savings will compound much more than later savings. Because of the very different outcomes depending upon when saving for retirement begins, calculations for this Retirement Economic Security Pathway are presented for three different ages at which savings for retirement are begun: 25, 40, and 55 years, for one- and two-adult households.

To determine how much savings are required in retirement, two calculations are made:

1. the amount needed to meet basic needs, using a modified Self-Sufficiency Standard for one- and two-adult elderly households; and,
2. the expected Social Security benefits to be received.

The gap between the amount of expected expenses in retirement and the amount of expected income from Social Security is the total amount that must be saved. Of course, the earlier savings begin, the more months there are to save, plus the more time there is for savings to grow, so the amount to be saved per month depends very much on when savings begin.

ONCE A FAMILY OR INDIVIDUAL IS ABLE TO MEET THEIR BASIC NEEDS, THE SOONER THEY ARE ABLE TO BEGIN SAVING FOR RETIREMENT, THE BETTER, AS EARLY SAVINGS WILL COMPOUND MUCH MORE THAN LATER SAVINGS.

Calculating Total Expenses Needed for Retirement. The total expenses needed in retirement are calculated based on *The Self-Sufficiency Standard for Connecticut 2015* for one and two adults, by region. The Standard is modified for the cost of living in retirement by making several adjustments:

- All income is assumed to be unearned (so no payroll taxes), and with the larger deduction for those over 65, generally very little federal and no state income tax is owed. In a few expensive regions, costs are high enough that social security benefits are partially taxed.
- Health care costs are adjusted to account for higher health care expenses in retirement (net of Medicare).[5]
- Food costs are adjusted for retirement age.
- Transportation costs assume only one car per household and are based on the average daily miles driven by adults 66-88 years old.
- Housing costs assume the expenses of renting as in the Standard.

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

2 Philip Issa and Sheila R. Zedlewski, Urban Institute, "Poverty among Older Americans, 2009," Retirement Security Data Brief 1, http://www.urban.org/sites/default/files/alfresco/publication-pdfs/412296-Poverty-Among-Older-Americans-.PDF (accessed April 21, 2015).

3 Patricia Neuman, Juliette Cubanski, Katherine A. Desmond, & Thomas H. Rice "How Much 'Skin In The Game' Do Medicare Beneficiaries Have? The Increasing Financial Burden of Health Care Spending, 1997-2003," Health Affairs, 26, no 9, (2007):1692-1701 doi:10.1377/hlthaff.26.6.1692.

4 U.S. Census Bureau, Kathleen Short, "The Research Supplemental Poverty Measure: 2010," Current Population Reports, November 2011, http://www.census.gov/prod/2011pubs/p60-241.pdf (accessed February 20, 2013)

5 Health costs in the RA Standard assume Original Medicare with Part D (Prescription Drug Coverage) plus Medigap (supplemental insurance) and out-of-pocket cost. Original Medicare consists of Part A (hospital insurance) and Part B (medical insurance). Medigap is based on the cost of AARPs Plan F. Part D assumes the cost of the Humana Walmart Rx Plan. Out of pocket costs are calculated from the U.S. Department of Health and Human Services, Agency for Healthcare Research and Quality.

TABLE 5. The Self-Sufficiency Standard Plus Retirement Savings for 1 and 2 Adults
Hartford and Lower Fairfield, CT 2015

	HARTFORD (LOW COST)		LOWER FAIRFIELD (HIGH COST)	
	1 Adult	2 Adults	1 Adult	2 Adults
Monthly Expenses: Retirement-Adjusted (RA) Self-Sufficiency Standard (Current Dollars)	$1,678	$2,488	$3,084	$3,842
Monthly Social Security Benefit (Current Dollars)	$991	$1,982	$1,564	$3,128
RETIREMENT SAVINGS CALCULATION STARTING TO SAVE AT AGE 25				
Total Expenses Over Retirement	$891,639	$1,293,323	$1,638,237	$1,996,881
Total Social Security Benefit Over Retirement	$465,769	$911,338	$735,079	$1,438,277
Total Net Savings Required at Retirement (Expenses less Social Security benefits)	$425,870	$381,986	$903,158	$558,605
AMOUNT NEEDED TO SAVE MONTHLY	**$202**	**$181**	**$428**	**$265**
RETIREMENT SAVINGS CALCULATION STARTING TO SAVE AT AGE 40				
Total Expenses Over Retirement	$563,231	$814,871	$1,034,843	$1,258,155
Total Social Security Benefit Over Retirement	$307,376	$599,878	$485,102	$946,730
Total Net Savings Required at Retirement (Expenses less Social Security benefits)	$255,855	$214,993	$549,740	$311,425
AMOUNT NEEDED TO SAVE MONTHLY	**$335**	**$281**	**$719**	**$407**
RETIREMENT SAVINGS CALCULATION STARTING TO SAVE AT AGE 55				
Total Expenses Over Retirement	$354,560	$512,101	$651,444	$790,680
Total Social Security Benefit Over Retirement	$202,151	$393,851	$319,035	$621,577
Total Net Savings Required at Retirement (Expenses less Social Security benefits)	$152,409	$118,251	$332,409	$169,104
AMOUNT NEEDED TO SAVE MONTHLY	**$753**	**$584**	**$1,642**	**$835**

- Miscellaneous expenses are 10% of all other basic expenses.

The resulting Retirement-Adjusted (RA) Self-Sufficiency Standard averages about $100 less per month than the normal Standard but it varies depending on region. For example, the 2015 Standard per month for one adult in Hartford is $1,603 but after adjusting for retirement it increases to $1,678. In Lower Fairfield, the 2015 Standard per month is $3,393 and decreases to $3,084 when adjusted for retirement (see **Table 5**).

The initial RA Standard is updated for inflation based on the retirement year of the three sample ages when savings begin. It is assumed that the 25, 40, and 55 year olds will all begin retirement at the age of 67 (when full Social Security benefits begin). The cost of living based on the RA Self-Sufficiency Standard is assumed to have a 3% annual inflation rate during retirement.[6] Total savings to cover expenses in retirement is based on the life expectancy at retirement age and varies by gender and current age.[7]

The RA Standard is inflated annually and aggregated to obtain the total expenses expected over the course of the retirement years, shown as "Total Expenses over Retirement" in Table 5. Because of expected inflation, the younger one is and therefore the longer the time until retirement begins, the greater the initial RA Standard (at age 67), and therefore the greater the total needed to cover living expenses in retirement. For example, in Hartford, the total needed to cover expenses during retirement for one adult who was 25 in 2015 and plans to retire at age 67 is $891,639, but is $563,231 if the adult is 40 now, and $354,560 if the adult is 55 now. In more expensive places, the numbers are even higher. For example, in Lower Fairfield the amount needed for expenses over retirement is about $1.6 million for one adult who is 25, $1.0 million if they are 40, and $615,444 if they are 55. Two-adult households need between 125%-148% more than single adults to cover their total expenses in retirement. For example, for two adults age 25 now, the total amount of expenses expected over retirement is nearly $1.3 million in Hartford and about $2 million in Lower Fairfield (see Table 5).

6 The annual inflation rate of 3% is a typical assumption made by retirement calculators (for example, see Vanguard and T.RowePrice).
7 Estimates for one adult assume life expectancy for females and ranges from 20.6 years for the 55 year old to 22.1 years for the 25 year old. For two adults, life expectancy is the average of female and male ranging from 19.6 years for the 55 year old to 21.2 for the 25 year old.

Calculating Social Security Benefits. Social Security benefits provide the largest source of income for both men and women 65 and older.[8] The total Social Security benefit amount in retirement is calculated for the same amount of time as costs (about 21 years). The Social Security benefit is estimated using a Social Security Administration calculator with earnings based on the Self-Sufficiency Standard for one adult in each Connecticut region and assumes 42 years of employment. For example, the monthly Social Security benefit is estimated to be $991 in Hartford and $1,564 in Lower Fairfield (in current dollars). The total income estimated from Social Security benefits for a 25-year-old worker over the course of their retirement is $465,769 in Hartford and $735,079 in Lower Fairfield; for a 40-year-old the total benefit is estimated at $307,376 in Hartford and $485,102 in Lower Fairfield; and for a 55-year-old the total benefit is estimated at $202,151 in Hartford and $319,035 in Lower Fairfield (see row titled "Total Social Security Benefit Over Retirement" in Table 5). For a two-adult retired household, assuming both adults were workers, the income from Social Security benefits is double that amount.

A Note on Employer-Sponsored Retirement Plans. Funds from retirement plans or pensions are not included in these calculations for several reasons. While 65% of private industry workers have access to a retirement plan through their employer, only 48% of workers participate in a retirement plan.[9] In addition, for current retirees, the proportion of income received from retirement plans is quite small, averaging just 14%.[10] While this is not negligible, it is also true that this average reflects a very uneven distribution of private pension benefits. On average, the highest quintile receives 20% of their income from pensions, while the lowest quintile receives only 2% of their income from pensions.[11] Finally, unlike Social Security where the benefit is known and anticipated, in terms of calculations, the amount that can be anticipated from retirement plan participation is highly variable over time and across individual workers. Benefit amounts vary considerably between employers as well as by factors such as years of service, income levels, employer contribution, plan type, and so forth. Given this variability it is not possible to reasonably estimate an average amount of income to be expected in retirement from pension plans.

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

9 U.S. Department of Labor, Bureau of Labor Statistics, Employee Benefits Survey, "Table 1. Retirement benefits: Access, participation, and take-up rates,1 civilian workers,2 National Compensation Survey, March 2014," Accessed April 16, 2015 from http://www.bls.gov/news.release/pdf/ebs2.pdf

10 Peter Brady and Michael Bogdan, 2013, "A Look at Private-Sector Retirement Plan Income after ERISA in 2012," I Investment Company Institute, Accessed April 16, 2015 from http://www.ici.org/info/per19-08_data.xls.

11 Ibid.

Calculating Savings Needed for Retirement. The total amount needed to save for retirement is the difference between total estimated expenses (based on the RA Self-Sufficiency Standard) and the total expected benefits from Social Security. Using this net amount, and the number of years between current age (25, 40, or 55 years, when savings begin) and retirement, and assuming a conservative rate of return on savings before and after retirement of 6% annually,[12] a total amount (Net Savings at Retirement) is calculated. From this amount, an amount is calculated for each age, and for one and two adults of savings required monthly to close the gap between expenses (the RA Standard) and income (Social Security). In Table 5, these calculations are shown for two regions, Hartford and Lower Fairfield.

In Hartford, a 25-year-old adult needs a net savings of $425,870 at retirement and must start saving $202 per month to reach that goal. In Lower Fairfield, the 25-year-old adult will need a net savings of $903,158 at retirement and must start saving $428 per month to reach that goal. Among two-adult households, the net savings needed at retirement are less because it assumes two Social Security benefits will be available as income but expenses for two people to maintain a home are only one and a half times on average more than for one adult, not double. Therefore, a two-adult household of 25-year-olds in Hartford needs to start saving $181 per month to reach the retirement goal of $381,986 and in Lower Fairfield the two adults need to save $265 per month to reach the goal of $558,605.

Each of these numbers increase as the age at which saving for retirement begins. Thus in Hartford, if savings do not start until age 40, then the one adult household would need to save $335, and the two adult household $281 per month; if savings do not start until age 55, then these numbers increase to $753 and $584, respectively. This increase occurs because even though the total savings required is less for the older start dates, there is less time for savings to earn interest and grow. That is, starting savings early allows for more time to accumulate and time for savings to grow.

Table 6 provides estimates of the amount one would need to save on a monthly basis to meet total expenses in retirement years, net of Social Security benefits, by region, age at which savings begin, and for one- and two-adult households. Note that these calculations do not take into account any additional income, such as from participation in a retirement plan with employer contributions.

12 Retirement savings plan calculators tend to use higher estimated rates of return, in the 8% to 9% range. However, to be more conservative considering rate of return volatility our calculations use 6%.

TABLE 6. Estimated Monthly Retirement Contributions by Beginning Savings Age and Region, Connecticut 2015

REGION	25 YEARS OLD		40 YEARS OLD		55 YEARS OLD	
	1 Adult	2 Adults	1 Adult	2 Adults	1 Adult	2 Adults
CONNECTICUT AVERAGE	**$280**	**$223**	**$467**	**$348**	**$1,058**	**$724**
Waterbury	$246	$212	$410	$331	$926	$693
Greater Waterbury	$270	$222	$451	$346	$1,021	$722
Danbury	$304	$238	$508	$372	$1,153	$774
Greater Danbury	$325	$243	$543	$377	$1,234	$783
Northwest Corner	$251	$219	$419	$343	$947	$721
Bridgeport	$217	$193	$360	$301	$809	$625
Stratford	$272	$228	$453	$356	$1,025	$745
Stamford	$382	$259	$641	$400	$1,458	$823
Naugatuck Valley	$272	$224	$455	$349	$1,029	$729
Upper Fairfield	$353	$251	$590	$389	$1,342	$802
Lower Fairfield	$428	$265	$719	$407	$1,642	$835
Hartford	$202	$181	$335	$281	$753	$584
Hartford Suburbs	$280	$223	$468	$347	$1,059	$722
North Central	$274	$223	$458	$347	$1,037	$724
New Haven	$242	$195	$403	$302	$911	$624
Upper Connecticut River	$282	$232	$471	$362	$1,067	$756
Greater New Haven	$304	$232	$509	$360	$1,155	$747
Lower Connecticut River	$306	$239	$511	$372	$1,160	$774
Windham	$217	$194	$361	$303	$814	$633
Greater Windham	$277	$228	$462	$356	$1,046	$744
New London	$233	$213	$388	$334	$875	$701
Greater New London	$260	$223	$433	$348	$980	$728
Northeast Corner	$236	$201	$393	$314	$888	$653

* The monthly amount needed to save for retirement is the total both adults must save together to meet their total expenses in retirement. If each adult was to save equally, the amount would be half of the monthly amount shown in the tables.

Three conclusions can be drawn from the calculations shown in Tables 5 and 6, and the scenario in Figure E below.

1. Number of Adults: While it is not quite true that “two can live as cheaply as one,” when it comes to retirement savings, two adult households do have two advantages. First, the cost of living is not double, but rather ranges from 125% to 148% more for two adults than one adult depending on the region. Second, pre-retirement, there are assumed to be two incomes from which savings are drawn for retirement. Thus the cost of retirement savings per individual is less per adult than a single adult needs to save for retirement. For example, a 40-year-old single adult in Stamford needs to save $641 per month for retirement, while a 40-year-old couple in Stamford needs to save $400 per month or $200 per person.

2. Geographic Location: Because the cost of living varies considerably, the amount needed to save for retirement varies considerably by place. However, unlike during working age, some retirees have some flexibility regarding location. Thus, while they may have earned more, and therefore earned higher benefits from living in a relatively expensive place, in retirement they can move to less expensive places to live. For example, the cost of housing in Lower Fairfield is more than twice the cost of housing in Windham.

3. Age: The data presented here demonstrate the tremendous advantages of starting to save for retirement at younger ages. For example, a 25-year-old single adult in Danbury needs to save $304 per month for retirement. If this single adult waits until she is 40 years old, she would have to save $508 per month and if she waited until she was 55 years old, she would need to save $1,153 per month. If a couple in Greater New London starts saving at age 25, they would need a combined savings of $223 per month, but if they waited until they were 40 the amount would increase to $348, and at 55 years, it would be $728 per month.

As noted above, the two-adult calculations assume both adults receive a Social Security benefit based on earnings at the one-adult Self-Sufficiency Standard level. However, if one adult does not work outside the home or has had partial workforce participation the adult is still eligible for a Social Security benefit equal to half of their spouse's benefit. The spouse with the lesser earnings is entitled to take whichever benefit is larger, their own as a worker, or as a spouse.[13]

Two additional observations are in order. First, while it has been assumed that retirees are single or living in two-adult households, it is not assumed that they were single or childless couples throughout their working lives. Nevertheless, to calculate Social Security benefits the assumption was made that the earnings were at the level required to meet the basic needs of a single or two-adult household during their working years. For many, earnings during their working years were above the Self-Sufficiency level. Thus the calculated Social Security benefits are the minimum to be expected; if earnings are higher than the Self-Sufficiency Standard, then Social Security benefits will also be higher.

At the same time, expenses may also be higher in retirement. Given that the RA Standard is based on the Self-Sufficiency Standard, which is itself a bare-bones budget, the estimate of living expenses in retirement should be seen as the minimum required to meet one's needs in retirement, not an average. That is, if one's plans for retirement anticipate expenses at a level higher than the Standard, then even if one expects somewhat higher Social Security benefits, one should certainly adjust one's savings upwards accordingly.

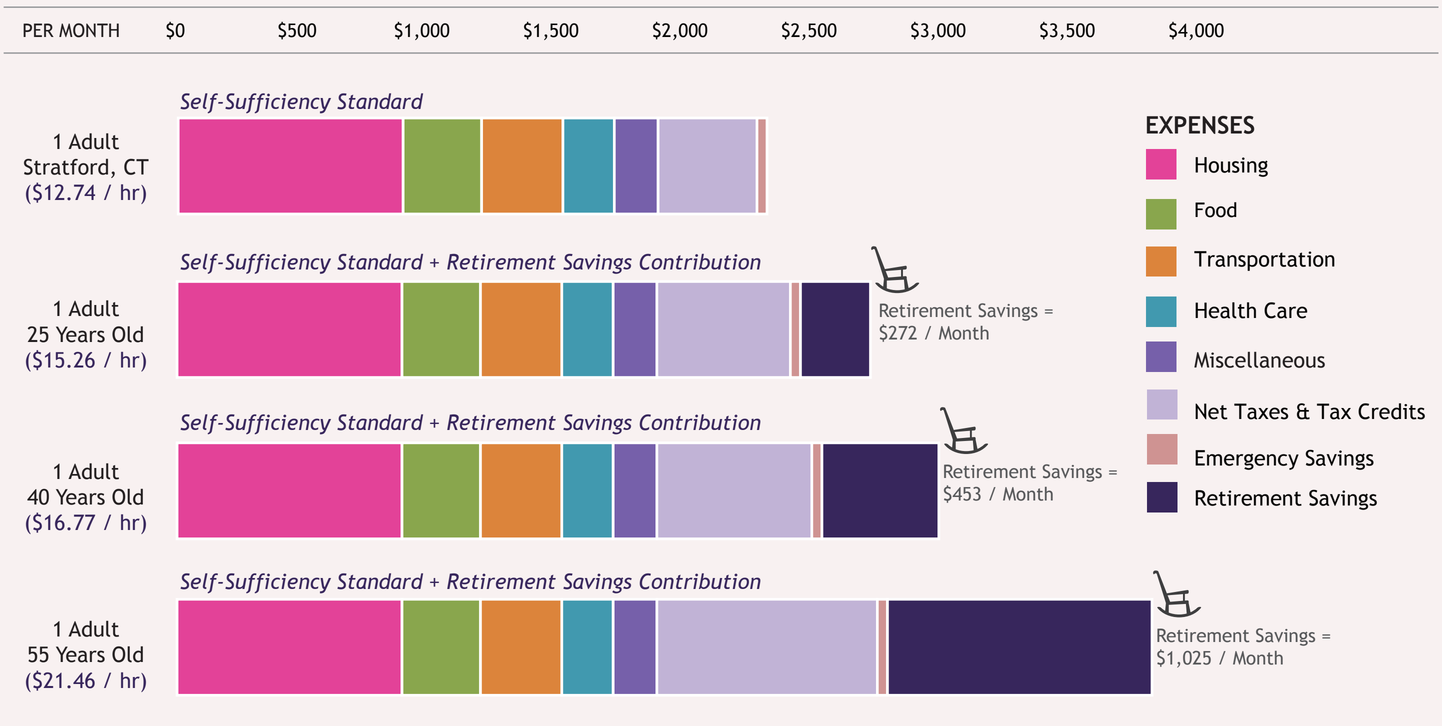
13 Consistent with the Self-Sufficiency Standard assumption that all adults work, in Table 5 and 6, two-adult households are considered to be two retired workers with both adults receiving a Social Security benefit. Some women, even though they worked, may find that the 50% spousal benefit is more than the benefit to which they are entitled in their own right. However, with increased workforce participation and a decline in the wage gap, in the future it is expected that most women as well as men will receive their own benefit, rather than a spousal benefit. The SSA estimates that by 2025, about 8% of women will receive benefits only on their spouses earnings and only 6% will do so by 2040 (see Social Security Administration, Office of Retirement Planning, "Current Law Projections," http://www. socialsecurity.gov/retirementpolicy/projections/women-dual-2025-alt.html#chart1

SCENARIO

Meeting the Cost of Retirement

The following model illustrates how much additional income is needed to meet net retirement needs, based on the different retirement contribution amounts by age for a single adult in Stratford. The Self-Sufficiency Standard for a single adult, Susan Smith, living in Stratford is $12.74 per hour (see the first bar of **Figure E**). If Ms. Smith is 25 years old and has decided to start saving the suggested minimum of $272 per month, the amount she needs to earn to maintain her basic needs AND save for retirement increases to $15.26 per hour. However, if Ms. Smith is 40 years old and just starting to save for retirement she would need to earn a wage of $16.77 per hour to both meet her basic needs AND save for retirement. Notice that as the amount she needs to earn increases with the higher retirement contribution, her taxes also increase. Finally, if Ms. Smith has not saved anything for retirement, and is 55 years old, she needs to earn an hourly wage of $21.46 per hour to meet her basic needs AND save for a retirement. While the retirement contribution of a 55-year-old is $793 more per month than the 25-year-old, a 55-year-old needs to earn $1,091 more per month than a 25-year-old when accounting for the increase in taxes as well as the retirement savings.

FIGURE E. Minimum necessary to meet basic needs increases as drastically with starting age of contributing to retire-ment savings. *Expenses shown per month for Stratford, CT 2015*



Expense Assumptions: Living expenses are based on costs in the Self-Sufficiency Standard. The 2015 Standard for one adult living in Stratford is $2,243 month ($12.74 per hour) plus $39 emergency savings. Hourly wage assumes full-time, year-round employment.

CONCLUSION

This report used *The Self-Sufficiency Standards for Connecticut 2015* calculations to explore the costs of various Economic Security Pathways householders may take to increase their economic security. Understanding more about the extra costs associated with saving for an Economic Security Pathway will help families achieve and maintain economic security over the long term.

As we look to the future, the trends impacting families striving to achieve economic security are mixed. On the one hand, the importance of savings, investments, and particularly education and training have been increasingly recognized as key to achieving economic security. In Connecticut, such recognitions have led to public policy discussions about ways to relax program restrictions on assets and savings for low-income persons. At the federal level, expanded health care coverage through the Affordable Care Act (ACA) has increased economic security. Prior to the ACA, in 2010, Connecticut became the first state in the nation to extend Medicaid to single adults without children. Connecticut also extended unemployment benefits to individuals who separated from work due to compelling family and other circumstances.[1]

At the same time, there has been an overall shifting of risk from corporations and government to individuals over the past several decades. For example, an increasing number of employers have cut or eliminated health insurance coverage, reduced or eliminated pensions, or structured jobs as temporary or contract work, limiting their contributions to employees' Social Security, unemployment insurance and other benefits.[2]

Furthermore, although home ownership opportunities for low-income households expanded prior to the Great Recession,[3] this trend was partially fueled by predatory lending and subprime mortgages, resulting in increased rates of default and foreclosures during the downturn.[4] As a result, homeownership rates nationally have fallen from 67% in 2009 to 65% in 2013, and especially so for people of color, whose home ownership rates have fallen even more, from 46% to 43% for African Americans, and from 49% to 45% for Hispanics.[5] Tightening of underwriting standards was a prudent and necessary move, but raises barriers to low-income households wishing to achieve the security of home ownership.[6]

1 Loryn Lancaster, "Changes in Federal and State unemployment insurance legislation in 2009," Monthly Labor Review (January 2010): 37-58, www.bls.gov/opub/mlr/2010/01/art2full.pdf (accessed April 15, 2015).

2 See Elise Gould, 2012, "A Decade of Declines in Employer-Sponsored Health Insurance Coverage," www.epi.org/publication/bp337-employer-sponsored-health-insurance/; and, U.S. Department of Treasury, 2010, "Statistical Trends in Retirement Plans," www.treasury.gov/tigta/auditreports/2010reports/201010097fr.pdf; and Tian Luo, Amar Mann, and Richard Holden, 2010, "The Expanding Role of Temporary Help Services from 1990 to 2008," www.bls.gov/opub/mlr/2010/08/art1full.pdf (accessed April 15, 2015).
3 Carlos Garriga, William T. Gavin, & Don Schlagenhauf, 2006, "Recent Trends in Homeownership," http://research.stlouisfed.org/publications/review/06/09/Garriga.pdf (accessed April 21, 2015).
4 Jeff Holt, 2009, "A Summary of the Primary Causes of the Housing Bubble and the Resulting Credit Crisis: A Non-Technical Paper," Journal of Business Inquiry, 8(1), 120-129, www.uvu.edu/woodbury/docs/summaryoftheprimarycauseofthehousingbubble.pdf (accessed April 15, 2015).
5 Robert R. Callis and Melissa Cresin, 2014, "Residential Vacancies and Home Ownership in Fourth Quarter 2013," http://www.census.gov/housing/hvs/files/qtr413/q413press.pdf (accessed April 21, 2015).
6 Christopher E. Herbert, Eric S. Belsky, & William C. Apgar, 2012, "Critical Housing Finance Challenges for Policymakers," Joint Center for Housing Studies of Harvard University www.jchs.harvard.edu/sites/jchs.harvard.edu/files/w12-2_herbert_belsky_apgar.pdf (accessed April 22, 2015).

UNDERSTANDING MORE ABOUT THE EXTRA COSTS ASSOCIATED WITH SAVING FOR AN ECONOMIC SECURITY PATHWAY WILL HELP FAMILIES ACHIEVE AND MAINTAIN ECONOMIC SECURITY OVER THE LONG TERM.

In other areas as well, the Great Recession led to cutbacks, particularly at the state level, in programs that support low-income working families, such as child care assistance. It is important to note, however, that Connecticut was one of the few states which, in difficult budget deliberations during the Great Recession, consciously chose not to shred the social safety net relied upon by so many financially constrained residents.

Additionally, in recent legislative sessions, the Connecticut General Assembly passed laws to: raise the minimum wage (to $10.10 by 2017), institute the Connecticut Earned Income Tax Credit (EITC), enhance early childhood education by expanding the number of pre-K slots available, create a trust to work on a public retirement plan, and invest in affordable housing. And, most significantly, in 2011, Connecticut became the first state in the nation to institute mandatory paid sick leave for some employees.[7]

Looking to the future, from food stamps to Social Security and beyond, there are public policy proposals being put forward that would restrict access to or decrease benefits in a wide range of federal programs. Such proposals suggest that achieving economic security and even maintaining current programs will continue to be a challenge. This is not a challenge that individuals must face alone, but one where all stakeholders—employers, the government, and the community as well as individuals—can and will contribute towards achieving family economic security.

7 Employees of smaller enterprises (<50) plus certain manufacturing, nonprofits, and service workers are exempt from coverage. For an overview of paid sick leave in Connecticut see http://www.ctdol.state.ct.us/wgwkstnd/12-15%20PSLfinal2011.pdf.

TABLE A-1. Methodology Assumptions and Data Sources for Connecticut Economic Security Pathways, 2015

ASSUMPTIONS	DATA SOURCES
ECONOMIC SECURITY PATHWAYS	
POSTSECONDARY EDUCATION	
Full time is defined as 30 credit hours annually; part time is 15 credits annually. The 2015-2016 rates are inflated to future years based on the average change in tuition and fees for 2-year public colleges in New England over the previous 10 years.	*Tuition & Fees:* Connecticut Board of Regents for Higher Education, Connecticut State Colleges & Universities, Tuition & Fees, "State University Tuition & Fees," http://www.ct.edu/admission/tuition (accessed April 16, 2015). *Books & Supplies:* College Board, Annual Survey of Colleges, "Average Student Expenses by College Board Region, 2014-15 (Enrollment-Weighted)," Accessed January 20, 2015 from personal communication with College Board. *Tuition & Fees Inflation:* Tuition & Fees Inflation - College Board, "Average Tuition and Fees and Room and Board by College Board Region, 1990-91 to 2014-15 (Enrollment-Weighted)," http://trends.collegeboard.org/sites/default/files/2014-trends-college-pricing-source-data-final.xlsx (accessed January 14, 2015). *Books & Supplies Inflation:* U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS), Spring 2010 through Spring 2013, Student Financial Aid component; and Fall 2009 through Fall 2012, Institutional Characteristics component, "Table 330.40. Average total cost of attendance for first-time, full-time undergraduate students in degree-granting postsecondary institutions, by control and level of institution, living arrangement, and component of student costs: 2009–10 through 2012-13," http://nces.ed.gov/programs/digest/d13/tables/xls/tabn330.40.xls (accessed January 14, 2015).
ALTERNATIVE HOUSING	
Alternative housing costs include the cost of first month's rent, security deposit, and moving costs. Security Deposit is equal to one month's rent.	*Rent and Security Deposit:* Housing costs from *The Self-Sufficiency Standard for Connecticut 2015*, based on Fair Market Rents. *Moving Costs:* MoversCorp, "Moving Companies in Connecticutand State Information," Connecticut Local Movers by County, http://www.moverscorp.com/moving_companies/CT_Connecticut/ (accessed February 3, 2015).
HOUSING PURCHASE	
Closing costs are assumed to be 1.017% of the loan amount (the average in Connecticut for $200,000 loan in June 2015). Closing costs include lender fees, third-party fees for services, and title insurance. Moving costs are based on a 3-bedroom home.	*Home Values:* U.S. Census Bureau, "B25076: Lower Value Quartile (Dollars)," 2009-2013 5-Year American Community Survey, Detailed Tables, http://factfinder.census.gov/ (accessed August 4, 2015). Closing Costs: Bankrate.com, "Connecticut closing costs," Mortgage, Closing Costs, United States, Connecticut Closing Costs, http://www.bankrate.com/finance/mortgages/closing-costs/connecticut.aspx (accessed August 4, 2015). *Moving Costs:* MoversCorp, "Moving Companies in Connecticut and State Information," Connecticut Local Movers by County, http://www.moverscorp.com/moving_companies/CT_Connecticut/ (accessed February 3, 2015).
RETIREMENT	
All numbers shown for two adults are the total for both adults in the family. Life expectancy is assumed to be 22.1 at 67 for the 25 year old, 21.4 at 67 for the 40 year old, and 20.6 at 67 for the 55 year old. Cost of living is calculated using the 2015 Connecticut Self-Sufficiency Standard adjusted for retirement. Retirement adjustments include: Original Medicare for health costs, one car for two adults and an adjusted mileage rate, food costs are weighted based on retirement age and average life expectancy of males and females. Expenses are assumed to inflate at a rate of 3%. Savings assume a 6% return on investment.	*Life expectancy:* U.S. Social Security Administration, Office of the Chief Actuary, "Retirement & Survivors Benefits: Life Expectancy Calculator," http://www.socialsecurity.gov/OACT/population/longevity.html (accessed March 12, 2015). *Retirement Age:* Social Security Administration, "Full Retirement Age," http://www.ssa.gov/retire2/retirechart.htm (accessed March 12, 2015). *Social Security Benefit:* U.S. Social Security Administration, "Calculators: Online Calculator," http://www.ssa.gov/retire2/AnypiaApplet.html (accessed March 12, 2015). *Cost of Living: The Self-Sufficiency Standard for Connecticut 2015*, Adjusted for Retirement; Centers for Medicare & Medicaid Services, "Medicare 2015 costs at a glance," https://www.medicare.gov/your-medicare-costs/costs-at-a-glance/costs-at-glance.html; Centers for Medicare & Medicaid Services, "Medicare Plan Finder," https://www.medicare.gov/find-a-plan/questions/home.aspx (accessed July 20, 2015); AARP, "Medicare Supplement Insurance Plans" https://www.aarpmedicareplans.com/health-plans/medicare-supplement-plans.html (accessed July 20, 2015); U.S. Department of Health and Human Services, Agency for Healthcare Research and Quality, Center for Financing, Access, and Cost Trends, Medical Expenditure Panel Survey-Household Component Analytical Tool, "Total Amount Paid by Self/Family, all Types of Service, 2012" MEPSnetHC, http://www.meps.ahrq.gov/mepsweb/data_stats/MEPSnetHC.jsp (accessed July 20, 2015); U.S. Department of Transportation, 2009 National Household Transportation Survey, "Average Annual Vehicle Miles of Travel Per Driver," Online Analysis Tools, http://www.nhts.ornl.gov (accessed July 24, 2015). Social Security Benefit Inflation: U.S. Social Security Administration, Office of the Chief Actuary, "COLAs & AWI increases under the intermediate assumptions of the 2014 Trustees Report," http://www.socialsecurity.gov/OACT/TR/TRassum.html (accessed March 12, 2015).

Connecticut General Assembly

PCSW

Permanent Commission on the Status of Women

The State's leading force for women's equality

The Permanent Commission on the Status of Women was formed in 1973 under Sec. 46a-1 of the Connecticut General Statutes to study and improve Connecticut women's economic security, health and safety; to promote consideration of qualified women to leadership positions and to work toward the elimination of gender discrimination. As a non-partisan arm of the General Assembly, the agency monitors, critiques and recommends changes to legislation in order to inform public policy, and assesses programs and practices in all State agencies for their effect on the state's women. The PCSW serves as a liaison between government and its diverse constituents, and convenes stakeholders, including the business, non-profit and educational communities, local governments, and the media, in order to promote awareness of women's issues.

Center for Women's Welfare

...advancing economic justice through research and the Self-Sufficiency Standard

The Center for Women's Welfare at the University of Washington School of Social Work is devoted to furthering the goal of economic justice for women and their families. The main work of the Center focuses on the development of the Self-Sufficiency Standard. Under the direction of Dr. Diana Pearce, the Center partners with a range of government, non-profit, women's, children's, and community-based groups to research and evaluate public policy related to income adequacy; to create tools to assess and establish income adequacy, and to develop programs and policies that strengthen public investment in low-income women, children, and families. Initially through a partnership with WOW, and now independently, the Center has calculated the Self-Sufficiency Standard for 37 states, New York City, and the District of Columbia. Since 1996, through the reports, projects, and online tools, the Self-Sufficiency Standard has revolutionized the way policies and programs for low-income workers are structured and what it means to be in need in the United States. For more information and access to this data, call (206) 685-5264 or visit www.selfsufficiencystandard.org.