Definition and measurement of asset poverty in Canada

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Abstract

In Canada, poverty policy and discourse focuses on annual estimates of low income. Assuming that assets, independent from income, represent an alternative view of well-being we introduce an asset-based measurement of poverty for Canada based on (1) financial assets and (2) net worth. A household is "asset poor" if it does not own sufficient assets to survive at the low-income cutoff for three months. Data from the 1999 and 2005 cycles of the Survey of Financial Security suggest asset poverty rates were approximately two to four times higher than the corresponding low-income rates. We show for the first time that, proportionately, households with female lone parents, renters and younger persons were overrepresented among the asset poor. We demonstrate that 14% of Canadians were joint low income and financial asset poor in 2005. The relatively high asset poverty rates suggests a need for anti-poverty policies to better promote financial security.

Keywords: poverty, assets, wealth, asset poverty

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Poverty is a most complex social problem with controversial definitions, various measures, and unclear causes. By far the simplest and most common method for measuring poverty is based on household income. This methodology assumes that income is a good proxy for 'consumption', which is extremely difficult to measure. Poverty researchers, however, have expanded conceptualizations of poverty to include non-income dimensions. For example, non-income economic resources such as assets matter for well-being. Assets are financial and non-financial stocks of wealth (e.g., saving, investments, home equity, vehicles, business capital, etc.). Holding assets is theoretically linked to positive influences on individual, family, and community well-being in ways that income may not be (Sherraden, 1991). Assuming that assets have an independent influence well-being, developing an indicator of asset poverty, and calculating the levels, trends and composition of asset poverty is an important social policy endeavor.

While measures of asset poverty have been applied to the US, UK, Spain and Korea, there has not yet been an asset poverty measure for Canada. We attempt to fill this gap by defining, measuring, and producing the first nationally-representative Canadian estimates of poverty based on an asset threshold; we provide this measure for both 1999 and 2005. We first discuss the rationale and methods to estimate asset poverty rates. The resulting estimates complement the existing Canadian measures of low income, and provide a contrast to them. An asset poverty measure uncovers several dimensions of economic hardship that would remain unseen when using an income measure. For example, if using only an income poverty measure, families that have sufficient annual income which lack the resources necessary to meet basic needs if their income payments were to stop would not be distinguished from those which have those resources, i.e., income non-poor but asset-poor. Our estimates of asset poverty lead to a number of social welfare policy considerations in seeking to enhance economic security and reduce vulnerability.

Background

Canada is a high-income country. According to the latest OECD data, Canada ranks 11th in GDP per capita in current prices adjusted for purchasing power parity (\$40,450), substantially higher than the OECD average (\$35,194), although lower than the US (\$48,043) (OECD, 2013a). Depending on the specific measure and threshold employed, approximately, more than 3 million Canadians are estimated to live in low income (Statistics Canada, 2013). Among OECD countries, Canada ranks 22 of 31 countries in the prevalence of poverty, with 8.2% of children considered poor or living in households with low incomes (Adamson, 2013; Statistics Canada, 2013).

Economic measurement of poverty

Poverty is the condition of lacking sufficient command over resources. When it comes to the measuring economic poverty, Haveman and Wolff (2004) provide a useful framework. They explain that measuring economic poverty involves at least a two-steps: (a) precise measurement of economic resources, and (b) the establishment of a minimally acceptable level of economic resources needed to achieve well-being (Haveman & Wolff, 2004). Throughout the 20th Century the measurement of poverty in developed countries has focused on household income as the predominant economic resource. Income poverty measurement assumes that (a) income is a proxy for well-being, (b) markets function correctly, (c) there is a needs standard (a standard of basic needs that need to be met in order to survive), and that (d) families of different sizes need different levels of economic resources (Haveman, 2009).

There is no official poverty measure in Canada. Instead, Statistics Canada produces a quasi-relative measure of material deprivation, the Low Income Cutoff (LICO). (While the LICO measure is not intended to measure poverty (Murphy, Zhang, & Dionne, 2012), for integration with policy and academic discourse we refer to those below the LICO threshold as income poor.) First published in 1967 and re-based in 1992 on the Family Expenditure Survey, the LICO examines consumption patterns to create a threshold by which a family is considered low income when it devotes a larger share of their income, in comparison to the average family, to basic necessities of food, shelter, and clothing (Statistics Canada, 2011). For a family of four residing in a community size 30,000 to 90,000 the average family spent 43% of income on food, shelter and clothing. Based on a somewhat arbitrary assumption that 20% more than average consumption would constitute hardship, any family of the given size and residing in a similarly sized community would fall below the LICO if spending on food, shelter, and clothing was above 63% of total income. Presently LICOs are calculated for seven family sizes across five geographic areas for both pre-tax (government transfers before tax deductions) and post-tax incomes (government transfers including tax deductions). LICOs are adjusted annually based on the Consumer Price Index. According to the aforementioned Haveman and Wolff framework for poverty measurement, for the LICO. income is the economic resource used and the minimally acceptable level is determined by the average family spending on food, shelter and clothing for a given year.

Assets and wealth

In addition to income and consumption there are numerous other frameworks for understanding poverty and economic deprivation. Relatively recently, researchers have produced poverty rates based on a threshold of minimum assets. Sherraden (1991) originally proposed an asset-based theory of social welfare that suggested that asset holding positively influences a host of individual, family, and community outcomes in ways that income does not. Previous studies have described how asset holding affects both short-term and long-term well-being of households and individuals (Brandolini, Magri, & Smeeding, 2010; Haveman & Wolff, 2004). Further specifying this idea, there are at least four mechanisms by which asset ownership transmits a positive influence on households.

- 1. For some people with low incomes, assets may be an important pathway out of poverty. Sherraden (1991) posited that income is necessary to get by from day to day, but that assets are required to get ahead in the long-term (i.e., one cannot spend one's way out of poverty). Studies have supported this idea and showed that home ownership and savings accounts positively predicted economic mobility (Morillas, 2007) and social development (Rothwell & Han, 2010).
- 2. Ownership of productive assets (homes, vehicles, financial accounts, and investment and retirement accounts) leads to increased social and civic engagement (DiPasquale & Glaeser, 1999). Individuals and families without assets (i.e., the asset poor) tend to be excluded from the social, economic, and political mainstream, and are likely to be less financially literate.

- 3. Assets 'smooth' consumption over time, and hence moderate the impact of economic hardship. A small and unexpected shock to one's income, employment, expenses, health, or family status may adversely impact the individual, family, and community. As a result, families with assets compared to families without assets tend to experience less financial strain (Mayer & Jencks, 1989).
- 4. Asset ownership has indirect and intergenerational influences. Zhan and Sherraden (2003) showed that children from families with assets compared to families without assets achieved better educational outcomes. This effect can be seen as a second indicator of social mobility. Importantly, these benefits are likely to spillover outside the household and enhance social cohesion and welfare.

With an asset-based framework, various dimensions of inequality become apparent. For example, between 1983 and 1998, the wealthiest quintile of the US population earned 56% of the country's total income but held 91% of the financial wealth (Wolff, 2001). Further, an assets framework reveals the extent of racial inequalities. Shapiro (2004) documented the racial wealth gap in the US by showing that middle income Blacks had one-ninth the level of financial assets than similar middle income Whites, a gap much larger than the earnings gap.

Assets and Wealth in Canada

The Canadian literature has examined asset holding and inequality, although not asset poverty. Using the 2009 Canadian Survey of Financial Capability, (Luong, 2011) examined the wealth distribution of low-income families (using Statistics Canada Low Income Measure (LIM) that is 50% of median income). The mean wealth of low-income employed households (\$60,000) was considerably less than the mean wealth of non-low income households (\$389,200). Milligan (2005) extensively analyzed the distributions of assets, debts, and net worth throughout Canada in the 1999 Survey of Financial Security. Consistent with a life-cycle hypothesis, Milligan (2005) showed that Canadian's increase the share of liquid assets later in the life cycle and also shift towards less risky investments as they grow older.

Analyzing wealth patterns over time, there has been a 23% increase in median net worth between 1999 and 2005 in Canada; baby boomers in their 40s accounted for nearly half of this growth by way of home equity, other real estate, business and financial assets (Chawla, 2008; Statistics Canada, 2006). The top quintile in this distribution held 69.2% of all personal wealth (Statistics Canada, 2006). Liu, Ostrovsky, and Zhou (2013) computed a stochastic life cycle model of saving adequacy and compared it to the 2005 SFS. The report showed that, not surprisingly, couples and households with private pension coverage were more likely to save "adequately". Linking wealth data to longitudinal income data, Alan (2006) demonstrated a strong and significant precautionary saving motive among Canadian households.

A number of studies have examined wealth inequality. The national disparity between the rich and poor was about 9 times greater for wealth than income (the difference between mean wealth of top 10% and bottom 10% was \$1,320,900; where the difference in mean

income between the same groups was \$145,000) (Chawla, 2004). Kerstetter (2002) reported that Canadians in the bottom decile of the income distribution had negative net wealth and that the median financial asset value of the lowest quintile was only \$600. In Canada the gini coefficient of net worth wealth is about double that of income (e.g., .66:.34 for 2005) (Brzozowski, Gervais, Klein, & Suzuki, 2010). Morissette (2002) found the percent of low-income Canadian families without financial assets rose from 35% in 1984 to 40% in 1999. The effect of these patterns of asset ownership on family and social wellbeing suggests the need for additional analysis regarding those with the least wealth-the asset poor.

Asset poverty measures

Only fairly recently have researchers measured the prevalence of poverty using assets instead of income. Asset-based poverty measures tend to be based on one of three frameworks: (a) assets as the basis for social stratification, (b) assets as essential for social development, or (c) assets as instruments for smoothing consumption (Nam, Huang, & Sherraden, 2008). The first estimates began with Oliver and Shapiro (1990) who focused on social stratification. These were later advanced by Haveman and Wolff (2004, 2005) from a consumption perspective. The Haveman-Wolff measure of asset poverty is based on the following: a household or person is asset poor, "if their access to wealth-type resources is insufficient to enable them to meet their basic needs for some limited period of time" (Haveman & Wolff, 2004, p. 149). This conceptualization of asset poverty reinforces what others (viz., Osberg & Sharpe, 2005) have argued: that resource availability is central to understanding economic well-being. Using net worth as the wealth measure, setting the official, family-size conditioned set of poverty lines as the indicator of basic needs, and choosing three months as the period of time, Haveman and Wolff estimated that 24.5% of the US population was asset poor in 2001. This rate was 2.6 times higher than the income poverty rate of 9.2%. This methodology of asset poverty measure has become the standard.

Since then, the methodology has been replicated in different contexts. Using data for South Korea, K. Kim and Y. M. Kim (2013) used 120% of a "minimum cost of living" and reported a national prevalence of asset poverty at 12.7% using net worth and 32.8% using liquid assets (stocks and bonds, assuming retirement funds). Using the 2002 Spanish survey of household finances and the 2001 US Survey of Consumer Finances, Azpitarte (2011) computed asset poverty rates based on median income and reported net worth poverty rates of 20% in Spain and 31% in the US. Others found large differences in asset poverty between Spain and the UK. For example 13.1% housing wealth asset poverty was observed in Spain compared to 27.5% in the UK and 25% of this gap was explained by differences in household structure between the two countries (Azpitarte, 2011). In the most comprehensive comparative study, Brandolini et al. (2010) used data from the Luxembourg Income Study (years 1999-2002) to compare the asset poverty rates in several OECD countries based on net worth and financial assets. Using 50 percent of the median income as the income threshold, Canada had the highest relative asset poverty rate based on financial assets (56.5%) and second highest based on net worth (33.8%).

Research Questions

The Brandolini et al. (2010) results provided an overall rate of asset poverty in Canada for 1999, but did not provide details on the levels, trends, and composition. To address this gap four questions guide this study: (a) what is the prevalence of asset poverty in Canada?, (b) how does the prevalence of "asset poverty" compare to the prevalence of "income poverty" across demographic groups?, (c) what are the key socio-demographic determinants of asset poverty?, and (d) what is the prevalence of joint-income and asset poverty?

Method

Data from the 1999 and 2005 Survey of Financial Security (SFS) were accessed via the Research Data Centre hosted by Statistics Canada. The purpose of the SFS is to collect information from a sample of Canadian households on their assets, debts, employment, income and education. The SFS is a cross-sectional survey conducted in all 10 provinces. Territories, Indian reserves, people living on crown lands and institutionalized persons are excluded, resulting in a coverage rate of about 98% of the Canadian population (Statistics Canada, 2001). In both years, the SFS area sample was a stratified, multi-stage sample selected from the Labour Force Survey (LFS) sampling frame. As the survey oversampled wealthy households, the weights are used to estimate levels and rates for the population. The weighting procedures in 1999 were based on Statistics Canada Demography Division population counts for province, age, sex, and family size. In 2005 two adjustments were made based on administrative data from the T4 tax files and the Survey of Labour Income and Dynamics. Information was collected on the value of all major financial and nonfinancial assets and on the money owing on mortgages, vehicles, credit cards, student loans and other debts. The SFS provides exceptional detail on household asset and debt that enable the construction of an asset poverty threshold. The income, assets, liabilities and net worth variables were analyzed at the household level in an economic family data file. To understand levels and compositions of asset poverty across demographic categories, we linked the economic family file to an individual-level file based on the primary reference person in the survey. This linkage resulted in the identification of persons within 10,442 economic families in 1999 and 5,103 economic families for 2005.

Measurement

Three asset poverty thresholds were created based on financial assets, net worth, and joint income-asset poverty. The basis for creating asset poverty thresholds followed Haveman and Wolff (2004): a household or person is asset poor, "if their access to wealth-type resources is insufficient to enable them to meet their basic needs for some limited period of time" (p. 149). The first indicator, financial asset poverty, included all financial assets excluding retirement and pension savings. Financial assets then included all checking and savings accounts, term deposits, mutual funds, stocks, registered savings plans, vehicles and other durable assets. The second indicator, net worth asset poverty, consisted of total financial assets plus total nonfinancial assets (principal residence and investment real estate) minus total debts (e.g., mortgage, home secured debt, vehicle loans, education and other loans). The family size adjusted Low-Income Cutoff (LICO) for both 1999 and 2005 year was used as the income reference. For period of time, 25 percent of one year, i.e., three

months, was chosen based on the proposition that a financially secure household should own sufficient assets to meet the basic needs threshold for three months. Moreover, the choice of three month period of time was used in previous asset poverty studies and facilitates comparison (Brandolini et al., 2010; Haveman & Wolff, 2005). In 2005, the LICO after tax poverty threshold for a family of 4 living an urban area with over 500,000 inhabitants was \$32,576. Therefore, a household would be coded asset poor if its reported assets (using the financial assets or net worth indicator) totaled less than 25 percent of the LICO threshold (\$8,144 = .25 * 32,576). Economies of scale are accounted for in the asset poverty measure as the LICO implicitly includes an equivalency scale to adjust for household size (Murphy et al., 2012). Using the same income threshold, i.e., LICO, but different asset measures allows us to test sensitivity across financial asset and net worth asset poverty measures.

Finally, we also produce a joint measure of income and asset poverty that overlaps the two concepts. The inclusion of both income and wealth variables in joint analysis of poverty has several benefits (OECD, 2013b). In this study, a family is joint income-asset poor if they have neither the income necessary to meet the income poverty standard nor the assets necessary to meet the net worth asset poverty standard. Importantly, this indicator identifies families that are not income poor but are asset poor, and families that are not asset poor but are income poor. Others have referred to these joint measures as twice-poor (i.e., joint income and asset poor), protected poor (i.e., income poor but non asset poor), and vulnerable non-poor (i.e., asset poor but not income poor) (Azpitarte, 2012).

A number of demographic variables were included in the analysis. The nature of asset holding is heavily determined by position in the life-cycle (Ando & Modigliani, 1963; Lafrance & LaRochelle-Côté, 2012). As such, age was categorized into five ordinal levels (a) under 25 years old, (b) 25-34, (c) 35-49, (d) 50-65, and (e) 65 and older. Other relevant variables included family size, number of children, gender, marital status married, marital status single, economic family type (lone parent female), citizenship status, first language (French, English, other), level of education (less than high school diploma, high school diploma, some college/university, university degree), and home ownership status.

Procedure

Consider, first, the distribution of assets and net worth. Survey weights provided by Statistics Canada were used to estimate population percentages; they ensure that the reported values are representative based on province, age, sex, and household size. To account for the complex survey design of the SFS, the analysis used the SAS PROCSURVEY. Headcount ratios were computed for the country and across demographic groups; these results were decomposed to analyze within group differences among the asset poor. Multivariate logistic regression was employed to understand the relationship of various household characteristics to asset poverty. Following recommended procedures, bootstrap replicate weights provided in the data (1,000) were used for variance estimation and confidence intervals (Deaton, 1997; Lohr, 1999).

Results

The distributions of financial assets (non-pension) and net worth in Canada for 1999 and 2005 are provided in Table 1. All values are reported in 2005 dollars adjusted for inflation with the Consumer Price Index. Median financial assets and net worth increased between 1999 and 2005, conditional on positive values. For households with positive financial assets, the proportionate increase in median value was 17% (\$5,282 to \$6,193). Further, there was a proportional 27% (\$81,412 to \$103,359) increase in median net worth.

[INSERT TABLE 1 ABOUT HERE]

Table 2 shows the headcount rates for income poverty (LICO), financial asset poverty and net worth asset poverty for 1999 and 2005. In 1999, the overall population LICO rate was 19.40%. Table 2 also shows the overall asset poverty rates for Canada in 1999 and 2005. Results show sizeable differences across poverty thresholds. Using the financial asset poverty threshold, the rate of poverty in 1999 was 2.81 times greater than the established LICO rate (54.55 compared to 19.40). The asset poverty threshold based on net worth shows a poverty rate nearly double that of the LICO rate (34.69). The 2005 financial asset poverty rate was 52.89 compared to 17.37 (3.04 times greater) and the net worth asset poverty rate (33.54) was 1.93 times larger than the LICO rate. Between 1999 and 2005 the LICO rate fell from 19.40 to 17.37 (proportional decrease of 10%). The rate of financial asset poverty was also reduced from 54.55 to 52.89 (proportional decrease of 3%). Net worth asset poverty rate also fell by 3% during this period, from 34.69 to 33.54.

Variation in poverty rates by household size is also shown in Table 2. We see that the 2005 LICO rate drops considerably when the household size increases, e.g., 32.37 for single person households to 8.23 in two person households (largely attributed to government transfers and tax credits). This pattern does not hold for financial asset poverty. The 2005 rate of financial asset poverty for two person households was 62.93, which is 5.22 times greater than the LICO rate for similar households. For net worth asset poverty in 2005 the rate of 25.79 was 3.13 times as large as the same household size LICO rate. Similar patterns hold in the 1999 results.

[INSERT TABLE 2 ABOUT HERE]

Table 3 shows the LICO, financial asset poverty, and net worth asset poverty rates for 2005 across demographic groups. (Similar patterns were observed for 1999 but are not reported here. Results available upon request.) As would be expected, the asset poverty rate for both financial assets and net worth is higher for younger households and decreases later in the life cycle. We also see large discrepancies among marital status groups. Depending on the measure, single (never married) persons experienced considerably higher rates of asset poverty compared to married households. The disparity in LICO rates between Canadian citizens and non-Canadian citizens is larger than the disparities observed in financial asset poverty and net worth asset poverty. As expected the rates of asset poverty fall considerably with more human capital. This pattern holds for both financial asset poverty and net worth asset poverty and across survey years. Home ownership status influences asset poverty. In 2005, nearly 3 in 4 Canadian renters experienced financial asset poverty. As net worth asset poverty includes home equity and mortgage value, the rates of net worth asset poverty are very low for homeowners.

[INSERT TABLE 3 ABOUT HERE]

Table 4 shows the results of two multivariate logistic regression models predicting financial asset poverty and net worth asset poverty in 2005 (similar estimates are available for 1999, on request). Controlling for other factors, the number of children in the household increased the likelihood of being both financial asset poor and net worth asset poor. Consistent age effects were observed. Compared to the reference group of age 66 and over, all other age groups were more likely to be asset poor, regardless of asset poverty measure. Living in a married family reduced the chances of being asset poor. As expected, human capital explained both types of asset poverty across years. For example, compared to high school graduates, college degree holders are much less likely to be financial asset poor (Odds Ratio = .49). Home ownership greatly reduced the chances of being asset poor by approximately 68% for financial asset poverty. While citizenship status was not related, speaking a language other than French or English was associated with a 52% reduced likelihood of being net worth asset poor.

[INSERT TABLE 4 ABOUT HERE]

Table 5 examines joint income-asset poverty measures. The analysis produced three meaningful categories for both financial asset poverty and net worth asset poverty: first, the percent of income poor but not asset poor; second, the percent of joint income and asset poor; and, third, the percent of asset poor but not income poor. Each category reveals different dimensions of the intersection between income and asset poverty. A small 3.58% were LICO poor but did not fall below the asset poverty threshold (not reported). Further, 14.03 percent of the population is both financial asset and income poor. Importantly, 38.89% of Canadian society was not income poor, but was financial asset poor. In other words, assuming income stoppage, these households did not possess sufficient financial assets to survive at the LICO threshold for three months. Using net worth, 5.39% of households were income poor but not net worth poor. Over 1 in 5 Canadians were not income poor but fell below our net worth asset poverty threshold (21.35%).

Table 5 also shows joint income asset poverty patterns among different demographic groups. We provide the analysis for the joint income asset poor and the non-income but asset poor categories. Female lone parents in the sample were overrepresented with 47.59% and 46.60% financial asset and net worth asset poverty rates, respectively. Young households also had high rates of asset poverty. Results showed that over half of the households with a head aged 25 to 34 (51.99%) were not below LICO but were included among the financial asset poor population.

[INSERT TABLE 5 ABOUT HERE]

The final analysis decomposed asset poverty into demographic characteristics and provided a disproportionate index (DI). The DI was calculated as the within poverty percentage divided by the within population percentage across demographic variables. A DI of 1 suggests perfectly representative. In 2005, among financial asset poor families, younger (Age less than 25) and single lone-parent families were overrepresented with DI values of 1.54 each. Renters were also overrepresented in this group (1.41). For net worth asset poverty, younger households, renters, and female lone parents were again over represented. Older households, home owners, married families and those with university degrees were tended to be underrepresented among the asset poor. Across both years, renters were overrepresented and home owners were underrepresented.

[INSERT TABLE 6 ABOUT HERE]

Discussion

Most measures of economic poverty rely on household income to generate absolute and relative poverty measures. Only a few studies worldwide have examined the prevalence of poverty using an asset threshold. Findings presented here establish a baseline of the prevalence of asset poverty in Canada. Our findings make a contribution to the knowledge base on comparative asset poverty studies (Azpitarte, 2011, 2012; Brandolini et al., 2010) and from the US (Haveman & Wolff, 2004, 2005) and Korea (K. Kim & Y. M. Kim, 2013). These estimates of asset poverty will be useful to policymakers as they struggle to combat economic disadvantage.

Using the financial assets poverty threshold we see that in both 1999 and 2005 over half of Canadian society is classified as being in financial asset poverty. Considering there were about 12.5 million households in the 2006 Canadian Census (Statistics Canada, 2007), this translates to roughly between 4.2 (net worth) and 6.6 million (financial asset) asset poor households in Canada. The finding that 1 in 2 Canadian families lack sufficient financial assets to survive at the LICO line for 3 months is troubling. This overall rate is considerably higher than the US comparable figure of .38 (Haveman & Wolff, 2004). Plausible explanations for this disparity include demographic differences (namely increasing single households) (Edmonston & Fong, 2011), decline in real earnings of men and stagnating wages for middle class families (Burton & Phipps, 2011; Fortin, Green, Lemieux, Milligan, & Riddell, 2012), and changing access to credit (Simpson & Buckland, 2009).

The consequences of having insufficient financial resources to survive at the low income line are unique to each country and its social welfare system. In Canada, employment insurance is administered federally and is more generous than the employment insurance schemes in the US and UK. With access to provincial health plans, asset poor households in Canada are not as vulnerable as US families to medical emergencies. Nevertheless, certain demographic groups have much higher rates of financial asset poverty than their corresponding LICO rates: (a) 81.60% for households younger than 25; (b) 81.23% for female lone-parent families; (c) 74.32% for renters, and (d) 73.16% for single-person households.

During the period from 1999 and 2005, a time of relative economic growth in the Canadian economy, the LICO rate fell by 10%. In comparison, the financial asset poverty rate and net worth asset poverty rates fell by a much smaller 3%. These different rates of change suggest that asset poverty - whether measured with financial assets or net worth - are relatively inelastic to changes in the macro economy.

Our findings on examined citizenship status and language revealed surprising patterns. Disparities in the 2005 LICO rate for non-Canadians (33.43) compared to Canadian citizens (15.92) were large. For financial asset poverty the gap was much less: 58.46 to 52.38. Considering the findings on other forms of economic disadvantage faced by immigrants (Aydemir, Chen, & Corak, 2013; Oreopoulosa, 2011) it was surprising that citizenship status was not related to the likelihood of being asset poor in the multivariate regression models (estimates are below one but not within 95% confidence intervals). Along language lines, those who listed one of the country's two official languages - English or French - as first language had LICO rates approximately 15% compared. This rate was considerably lower than the "Other" first language speaker rate of 23.21. This poverty gap between language groups is lower for financial asset poverty compared to income poverty. For net worth asset poverty, first language speakers classified as Other had lower poverty rates (27.40) compared to English (32.99) or French (38.51).

Limitations

The absence of race/ethnicity data in the Survey of Financial Security prevents us from examining asset inequality based on these dimensions. Studies in the United States reveal that asset poverty rates are much higher, approximately double or more, among ethnic minorities (Shapiro, Oliver, & Meschede, 2009). Similarly, the SFS does not include Aboriginal and First Nations data. The sample size difference between the 1999 and 2005 samples is large: the 2005 cycle is one-third the size of 1999. However, the differences in sample size does not affect the survey's ability to generalize to the population (Statistics Canada, 2006).

The construction of the asset poverty threshold can be augmented to consider different elements of economic resources, basic needs, and time. Specifically, the choice of the LICO as a basic needs threshold has limitations. The LICO rate has been criticized for lack of contemporary relevance (i.e., choice of food, shelter, clothing), inability to adjust for regional differences, and lack of comparative ability (Noël, 2012). Other asset poverty studies, such as Brandolini et al used a relative measure based on 50% of the median income while Haveman and Wolff used the official US poverty measure. To compare across jurisdictions a standard threshold of basic needs should be applied. International comparisons would use the relative Low Income Measure (LIM). Within Canada, the market-basket measure (MBM) - available since 2002 - might be a more accurate measure than the LICO to compare asset poverty across provinces.

Policy Implications

At least six Canadian provinces have enacted public policies to combat poverty. The province of Quebec was first when it passed the Act to Combat Poverty and Social Exclusion in 2002 (also known as Bill 112)¹. More recently, the 2010-2015 Quebec Action Plan for Solidarity and Social Inclusion includes a public investment of nearly \$7 billion channeled into four: (a) integrating communities into decision-making processes, (b) acknowledging the value of work and fostering individual self-sufficiency, (c) supporting the income of disadvantaged individuals, and (d) improving the housing conditions of low-income individuals and families (2010-2015 Government Action Plan for Solidarity and Social Inclusion,

¹The government of Quebec defines poverty as "the condition of a human being who does not have the resources, means, choices and power necessary to acquire and maintain economic self-reliance and to facilitate their integration into and participation in society" (National Assembly, 2002, c.61, s.2).

2010). While the legislation acknowledges the social dimensions of poverty and exclusion, a focus on the income, consumption, and expenditure dimensions dominate the policy efforts to reduce economic poverty. Surely, resources for consumption are necessary for economic well-being. However, these policy strategies do not give due attention to other aspects of poverty and economic well-being, such as minimal asset ownership.

Governments play a key role in encouraging asset accumulation. Based on the high incidence of financial asset poverty found in this study, federal and provincial policies ought to target financial asset accumulation. Existing Canadian policies aim to promote asset accumulation for targeted purposes such as education. For example, the Canada Learning Bond (CLB) is a registered saving mechanism for low-income families that encourages investment for education. However, the take up rate for the CLB is far below the level of full participation. One of the challenges for CLB take up is the rising number of eligible households.

In 2011 the Task Force on Financial Literacy produced a report to the government with a number of recommendations, chief among them was to hire a Financial Literacy Leader (*Canadians and their money: Building a brighter financial future*, 2011). Since 2011, a Canadian Centre for Financial Literacy has been established and numerous community-based agencies have implemented financial literacy interventions. The UK and the US and other advanced economies have made social investments in increasing financial literacy in the population. Lusardi and colleagues (2010) stress that interventions in high school show promise and must be delivered before individuals begin making important financial literacy interventions (Collins & O'Rourke, 2010; Willis, 2011). Further, existing social policies may be refined. Social assistance policies are known to create barriers to asset accumulation for many low-income families. Eligibility means testing usually involves some type of asset limit test. In Canada the asset limits vary considerably by province (Robson, 2008).

Implications for Research

This initial study of asset poverty in Canada establishes a number of future directions for research. Other asset poverty measures such as the asset security and asset opportunity would reveal additional aspects of financial vulnerability (Shapiro et al., 2009)². The prevalence of asset poverty is sensitive to the choice of assets in the measure. Future work could examine how asset poverty varies by using the LIM and market-basket measures. Alternatively, an accurate understanding of essential expenses could be calculated using median household expenses provided in Statistics Canada's Survey of Household Spending. It will also be important to study the intensity of asset poverty following Osberg and Xu (1999). Intensity of asset poverty has not yet been studied but hold potential to overcome the limitations of headcount ratio calculations (Myles & Picot, 2000).

The SFS contains detailed information on the location of the household. A promising avenue of future work will be to understand the geospatial dimensions of asset poverty.

 $^{^{2}}$ The asset security index includes financial assets plus three months of average unemployment benefits. The asset opportunity metric aims to measure opportunity for mobility and adds approximately \$12,000, that is calculated from the expected costs of average expenses for two years of public university or average down payment for a median priced home or start-up expenses for a business.

Furthermore, there is interest in understanding the role of provincial welfare policies in shaping asset poverty. Future work may include decompositions methods to account for demographic differences across jurisdictions (Plante & Van den Berg, 2011).

The relationship between asset poverty and consumer debt is not well understood. Previous work using the SFS has shown the debt profiles across the income distribution and has indicated that low income families are less likely to hold mortgage, vehicle, and credit card debt but roughly equally likely to hold student loan debt (Ben-Ishai & Schwartz, 2007). The household debt-to-income ratio has increased rapidly from 66% in 1980 to 150% in 2010 (Statistics Canada, 2011). Whereas household debt-to-income ratios in the US are now well below 2007 pre-Recession levels, levels in Canada are higher than the 2007 pre-Recession levels (Economist, 2013). Asset poor households who are burdened by high debt-to-income ratios are likely to struggle in exiting asset poverty. More knowledge is needed on the intersection between household debt and asset poverty.

Canadian evidence has shown that, in addition to credit constraints, lack of liquidity services, savings vehicles, and financial advice can restrict progress towards self-sufficiency (Simpson & Buckland, 2009). In times of crisis, many of these families may turn to alternative financial services such as payday lenders with high fees and interest rates. Addressing asset poverty requires a combination of changes in government and private sector institutional changes to help families become less financially vulnerable.

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ASSET POVERTY IN CANADA

Table 1

Distribution of assets and net worth 1999, 2005

Variable	% positive	Mean	SE	25%	Median	75%
1999 Financial assets non pension	91	44,441	1,938	$1,\!135$	5,282	22,982
2005 Financial assets non pension	82	$49,\!152$	$2,\!870$	$1,\!199$	$6,\!193$	$27,\!861$
1999 Net worth	89	$158,\!408$	$3,\!150$	$21,\!041$	81,412	187,066
2005 Net worth	81	208,779	$9,\!083$	$25,\!613$	$103,\!359$	233,247

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Low income and asset poverty rates 1999 and 2005

		LICO		Fir	ancial E	assets		Net wor	th
Variable	66,	,05	Change	66,	,05	Change	66,	,05	Change
All	19.40	17.37	-2.03	54.55	52.89	-1.66	34.69	33.54	-1.15
Family size 1	36.05	32.37	-3.68	59.28	62.93	3.65	51.91	51.72	-0.19
Family size 2	9.76	8.23	-1.53	44.70	42.94	-1.76	25.52	25.79	0.27
Family size 3	13.58	10.73	-2.85	56.13	47.52	-8.61	30.54	26.94	-3.60
Family size 4	11.79	9.62	-2.17	56.41	53.29	-3.12	24.54	18.50	-6.04
Family size 5	12.36	13.33	0.97	63.26	55.57	-7.69	25.09	25.79	0.70
Family size 6	16.88	13.52	-3.36	62.74	66.84	4.10	26.78	14.44	-12.34

Table 3	
Low income and asset poverty rate	tes by demographic category 2005

Variable	LICO	APOVFA2	APOVNW1
Fam size 1	32.37	62.93	51.72
Fam size 2	8.23	42.94	25.79
Fam size 3	10.73	47.52	26.94
Fam size 4	9.62	53.29	18.50
Fam size 5	13.33	55.57	25.79
No children	17.82	51.17	34.94
One child	14.34	55.67	31.52
Two children	14.63	55.67	24.91
Three children	24.44	64.96	40.14
Four children	19.79	67.90	29.91
Age < 25	53.15	81.60	80.90
Age 25-34	18.01	68.10	57.68
Age 35-49	16.49	56.22	31.05
Age 50-65	14.65	47.87	21.50
Age $66 +$	9.48	28.17	15.01
Female	20.01	54.19	35.52
Married	6.81	41.10	15.96
Single	35.60	73.16	63.65
Female lone parent	51.88	81.23	70.57
Canadian	15.92	52.38	32.80
Citizen oth	33.43	58.46	42.77
Lang Eng	15.88	52.48	32.99
Lang Fre	15.27	56.82	38.51
Lang Oth	23.21	48.26	27.40
Less than h.s.	27.00	57.37	39.36
H.s. diploma	20.88	57.88	38.32
Some college	12.16	55.21	32.26
Univ degree	11.58	40.74	24.90
Home owner	5.67	39.87	6.09
Renter	36.29	74.32	78.65

Note. Headcount poverty rates.

ASSET POVERTY IN CANADA

	Model 1	Model 2
Variable	APOVFA	APOVNW
Number children	1.23***	1.27***
	(-0.06)	(-0.09)
(Age 66 and older)	× ,	· · · ·
Age < 25	5.28^{***}	11.93***
-	(-1.54)	(-4.24)
Age 25-34	5.20***	15.77***
	(-0.92)	(-4.30)
Age 35-49	3.96^{***}	8.54***
	(-0.59)	(-2.06)
Age 50-65	3.38^{***}	4.19^{***}
	(-0.49)	(-0.97)
Female	0.92	0.78
	(-0.08)	(-0.11)
Married	0.64^{***}	0.62^{**}
	(-0.07)	(-0.10)
Single	1.23	0.72
	(-0.18)	(-0.13)
Female lone parent	1.33	1.21
	(-0.33)	(-0.35)
(Non Canadian)		
Canadian cit	0.8	1.04
	(-0.12)	(-0.23)
(Lng Eng)		
Lng Fre	1.06	1.01
	(-0.10)	(-0.15)
Lng Other	0.83	0.48^{***}
	(-0.10)	(-0.09)
(High school diploma)		
Less than h.s.	1.55^{***}	1.73^{**}
	(-0.20)	(-0.33)
Some college	0.96	0.94
	(-0.10)	(-0.16)
College degree	0.49***	0.42***
()	(-0.06)	(-0.09)
(Renter)		0.04.9999
Home owner	0.32^{***}	0.01^{***}
	(-0.03)	(0.00)
Wald χ^2 (16)	1447.02	3427.51
Psuedo R^2	.14	.50
N	5278	5278

Table 4Logistic regression models predicting asset poverty 2005

Note. APOVFA = financial asset poverty; APOVNW = net worth asset poverty. Odds ratios with standard errors in parentheses. **p < .01. ***p < .001.

Table 5		
Joint income-as	set poverty rates	by household type

Variable	LICOFA	FAONLY	LICONW	NWONLY
Overall	14.03	38.90	12.22	21.35
Fam size 1	26.52	36.48	24.03	27.74
Fam size 2	6.69	36.28	5.59	20.21
Fam size 3	7.61	39.97	6.97	20.00
Fam size 4	7.76	45.52	5.74	12.80
Fam size 5	12.01	43.56	9.51	16.28
No children	14.22	36.99	12.62	22.35
One child	12.13	43.54	9.98	21.54
Two children	11.99	43.76	10.19	14.79
Three children	21.12	43.84	18.05	22.08
Four children	18.59	49.32	12.13	17.78
Age < 25	47.27	34.33	46.91	33.99
Age 25-34	16.12	51.99	15.77	41.92
Age 35-49	13.65	42.60	11.40	19.69
Age 50-65	10.95	36.92	7.93	13.56
Age $66 +$	5.24	23.05	4.15	10.91
Female	15.71	38.55	14.32	21.26
Married	4.58	36.53	3.03	12.95
Single	31.43	41.78	30.47	33.21
Female l.p.	47.59	33.82	46.60	24.09
Canadian	12.98	39.43	11.21	21.62
Citizen oth	26.26	32.32	23.98	18.86
Lang Eng	13.28	39.24	11.28	21.74
Lang Fre	12.67	44.19	11.85	26.71
Lang Oth	NA	31.65	14.00	13.42
Less than h.s.	22.64	34.84	19.68	19.74
H.s. diploma	17.17	40.78	16.15	22.22
Some college	10.20	45.01	8.52	23.73
Univ degree	7.85	32.88	6.05	18.88
Home owner	3.36	36.51	0.26	5.83
Renter	31.34	43.08	31.60	47.16

Note. LICOFA = joint income-financial asset poverty; FAONLY = financial asset poverty only; LICONW = joint income-financial asset poverty; NWONLY = net worth asset poverty only. NA = data not available because it does not satisfy the Statistics Canada disclosure guidelines.

Table 6			
Disproortionate index and	compositions	of asset	poverty 2005

Variable	POP	APOVFA	iFA	APOVNW	iNW
Fam size 1	33.68	40.07	1.19	51.93	1.54
Fam size 2	29.63	24.05	0.81	22.78	0.77
Fam size 3	15.46	13.89	0.90	12.42	0.80
Fam size 4	14.21	14.32	1.01	7.84	0.55
Fam size 5	4.93	5.18	1.05	3.79	0.77
No children	71.69	69.36	0.97	74.67	1.04
One child	12.37	13.02	1.05	11.62	0.94
Two children	11.25	11.84	1.05	8.36	0.74
Three children	3.43	4.21	1.23	4.10	1.20
Four children	0.90	1.15	1.28	0.80	0.89
Age < 25	6.26	9.65	1.54	15.09	2.41
Age 25-34	17.58	22.64	1.29	30.23	1.72
Age 35-49	32.10	34.12	1.06	29.72	0.93
Age 50-65	27.17	24.59	0.91	17.41	0.64
Age $66 +$	16.89	9.00	0.53	7.56	0.45
Female	46.21	47.35	1.02	48.94	1.06
Married	47.49	36.90	0.78	22.60	0.48
Female l.p.	3.91	6.01	1.54	8.23	2.10
Canadian	89.18	88.32	0.99	87.19	0.98
Lang Eng	55.18	54.75	0.99	54.27	0.98
Lang Fre	24.81	26.65	1.07	28.48	1.15
Lang Oth	19.03	17.37	0.91	15.55	0.82
Less than h.s.	20.84	22.61	1.08	24.46	1.17
H.s. diploma	25.80	28.24	1.09	29.48	1.14
Some college	29.45	30.74	1.04	28.32	0.96
Univ degree	23.91	18.41	0.77	17.75	0.74
Home owner	61.93	46.69	0.75	11.24	0.18
Renter	36.37	51.11	1.41	85.27	2.34

Note. POP = population; APOVFA = within group rate of financial asset poverty; iFA = disproportionate index FA; APOVNW = within group rate of net worth poverty; iNW = disproportionate index NW.