No money, More problems

Reconsidering asset-based welfare

Jack Jeffrey

5 April 2025

Contents

Executive summary 3

Introduction 4

Financial exclusion in context 6

What do we know about asset effects? 10

Assets for everyone? 16

About this report

This report sets out the evidence base for the ways in which owning financial assets, or not owning them, affects people's life chances and outcomes - specifically their wages, mental and physical health, and civic participation. It argues that asset-building policies that would help ensure that everyone has some wealth remain on the periphery of public policy debate, and that as well as focusing on policies that address extreme wealth, campaigners and policymakers should reconsider earlier experiments in asset-based welfare and build support for these interventions alongside wealth taxes.

The online version of this report is at https://fairnessfoundation.com/no-money-more-problems.

About the author

Jack Jeffrey is a Researcher at the Fairness Foundation. He has experience conducting and coordinating research across a range of issues, particularly constitutional reform, polarisation and social stratification, and green industrial strategy. He has worked for several NGOs, think tanks and trusts, contributing to all stages of the research process and has authored multiple reports. He joined the Fairness Foundation in April 2024 and leads on its wealth inequality work.

About the Fairness Foundation

The Fairness Foundation works to change the debate around fairness in order to build a fairer Britain. We are a registered charity (1044174). Our vision is a Britain where everyone has the 'fair necessities' (fair essentials, fair opportunities, fair rewards, fair exchange and fair treatment). We lack a shared vision of a good society, but we believe that we can build a consensus around the need to reduce all forms of inequality substantially, because today's unequal society is inherently unfair. We work to achieve this consensus by making three linked arguments to politicians and other decision-makers and influencers:

- Building and popularising a vision for a fairer Britain that can attract broad support (the *moral* case)
- Demonstrating that the public are more concerned about inequality and supportive of action by government to tackle it, and less divided in their views, than we think that they are (the *political* case)
- Showing that tackling inequality must be a national priority, by promoting evidence of the various ways in which different forms of inequality not only reinforce each other, but also undermine sustainable economic growth, social cohesion, democracy and action on net zero (the *policy* case)

Executive summary

Wealth inequality is now in the mainstream, and yet asset-building policies that would help ensure that everyone has some wealth remain on the periphery of public policy debate. This paper argues that as well as focusing on policies that address extreme wealth, campaigners and policymakers should reconsider earlier experiments in asset-based welfare and build support for these interventions alongside wealth taxes. This is especially important in the context of an increasing body of evidence showing the positive impacts of owning even modest amounts of financial assets on wages, mental and physical health, and civic participation (and the negative implications for all of these outcomes of not owning financial assets, or being in debt).

New analysis of the ONS Wealth and Assets survey for the Fairness Foundation by Dr Ben Tippet at King's College London lays bare the scale of the problem:

- While the proportion of individuals with zero or negative financial wealth in the UK has decreased from 26% in 2008-10 to 21% in 2020-22, concerning trends persist.
- The average level of financial debt among individuals with negative wealth has grown from £5,008 in 2008-10 to £8,313 in 2020-22.
- Financial wealth varies significantly across regions and age groups. Nearly one-third of 25-to-34-year-olds have zero or negative wealth. 28% of working-age adults in Wales have zero or negative financial wealth, compared to just 18% in London and 19% in the South East. 47 of 25-to-34-year-olds in Wales have zero or negative financial wealth.

These statistics are even more worrying given what we know about the impacts on life chances and outcomes of owning even modest financial assets:

- As well as providing a buffer against economic shocks, financial assets have profound positive impacts on wages and employment prospects. For example, men with assets at age 23 earn 5% higher wages at age 33, while women see a wage premium of up to 11%.
- Financial assets are strongly correlated with better physical and mental health outcomes. For example, women with assets over £1,000 at age 23 are significantly more likely to report "excellent" health later in life compared to their peers without assets
- Individuals with financial assets are more likely to vote, volunteer, and engage in society more broadly.

Revisiting policies like Child Trust Funds (which demonstrated the potential to reduce asset inequality early in life and improve life outcomes) or other similar progressive asset-building policies could help to democratise access to financial resources. This agenda could be connected to policy proposals that focus on restricting wealth concentration, such as a wealth tax or other taxes on wealth, with the funds raised from these taxes being used to support asset-building policies. This would ensure that everyone can benefit from the advantages of owning at least some financial assets.

Introduction

In recent years, the issue of extreme wealth concentration has gained centre stage in scholarly discourse and, to some extent, in the public consciousness. Following the publication of Thomas Piketty's *Capital in the 21st Century*, and other influential work by Gabriel Zucman et al, academic interest in wealth inequality has flourished, after decades of relative neglect. This renewed focus recognises wealth concentration not merely as an economic phenomenon but as a fundamental driver of broader social division, shaping everything from educational opportunity to political power. Alongside, or in response to, academic discussion, popular discourse increasingly frames extreme wealth through the lens of oligarchic threat. What was once characterised as entrepreneurial success is now frequently perceived through more critical frameworks that question the democratic implications of extreme wealth. This growing disquiet about wealth's influence reflects mounting evidence[1] that extreme wealth inequality represents a significant societal risk comparable to climate change, or terrorism.[2]

Recent data paints a stark picture. The wealthy have captured a disproportionate share of wealth, driven by structural advantages in asset ownership, tax policies, and macroeconomic conditions. In the UK, median household wealth grew by a modest £4,000 between 2011–2019, while the top 10% saw their net worth surge by £280,000—a 70-fold disparity[3]. This divergence reflects structural shifts in how wealth accumulates in advanced economies. Passive capital gains from financialised assets — equities, commercial real estate, offshore instruments — now account for over 50% of wealth growth among high-net-worth households, compared to less than 10% for the bottom 50%, who remain dependent on stagnant wages and depreciating physical assets[4]. These dynamics perpetuate a self-reinforcing cycle: wealth begets access to higher-yielding investments, tax-advantaged portfolios, and intergenerational transfers, while asset poverty entrenches reliance on predatory credit and volatile labour markets.

Against this backdrop, policy debates typically focus on curbing wealth concentration through wealth taxes or an 'extreme wealth line'. But a complementary approach, drawing on the asset-building policy agenda popularised in the 1990s and 2000s, argues that economic security requires enabling everyone to accumulate productive assets, not just redistributing existing wealth.[5] This latter perspective contends that asset deprivation operates as both symptom and driver of inequality, demanding interventions distinct, although not incompatible with, income support or other welfare approaches.

Current asset-building policies exacerbate rather than mitigate wealth inequality. The UK government channels enormous resources into programmes designed to facilitate asset development. Unfortunately, these policies, such as ISAs and other tax-efficient savings schemes, overwhelmingly benefit those who already possess significant wealth, particularly those with financial assets. The current system provides substantial advantages to existing wealth-holders through generous tax incentives and subsidies, while offering minimal support to citizens without savings. This creates a troubling dynamic where policy and public resources have effectively accelerated wealth accumulation for the affluent, while providing virtually no meaningful pathways to asset development for those who most need such support.

This situation represents a frustrating reversal from earlier policy directions, when the UK was at the forefront of pioneering innovative universal

[1] Jeffrey, J. and Snell, W. (2024), Wealth Gap Risk Register, Fairness Foundation

[2] Snell, W. et al (2025), Inequality Knocks, Fairness Foundation

[3] Tippet, B, (2024), Measuring the Wealth Gap, Fairness Foundation

[4] Advani, A. and Summers, A. (2022), Measuring and taxing top incomes and wealth, IFS Deaton Review of Inequalities

[5] See especially, Sherraden, M, (1991), *Assets and the Poor*, Routledge; and Ackerman, B, (1999), *The Stakeholder Society*, Yale University Press. In the UK, see, Le Grand, J, (2000) A Capital Idea: Start-up grants for young people, Fabian Society

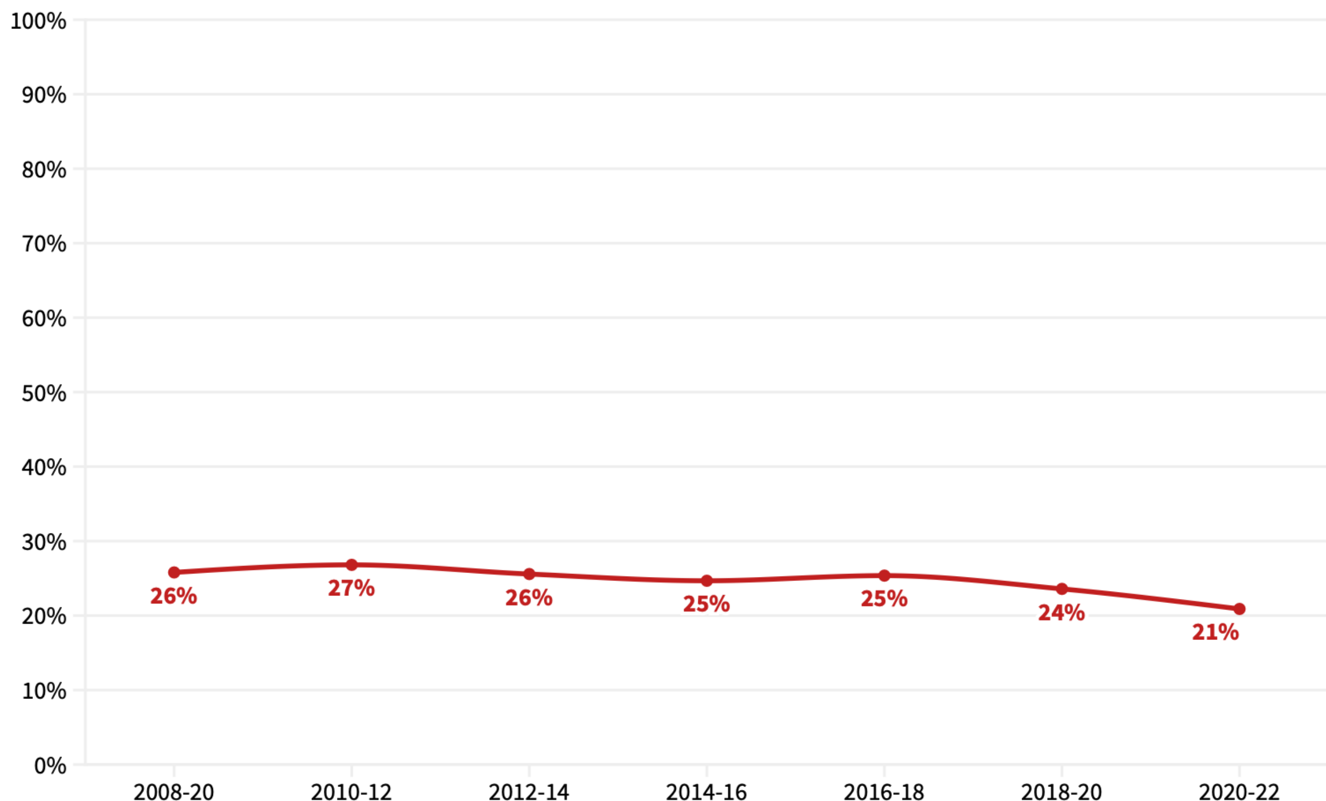
asset-building approaches. Programmes such as the Child Trust Fund represented forward-thinking initiatives designed to democratise asset ownership. And the stakes go beyond economics. Since those turn-of-the-millennium experiments, more and more research is revealing how a lack of assets correlates with chronic stress, reduced life expectancy, and political alienation. Conversely, even modest savings buffers enhance psychological resilience, employment outcomes, and civic engagement.

Critics of asset-building initiatives raise valid concerns. Some contend that small-scale programmes, which offer matched savings or grants, fail to address systemic inequities. Importantly, asset-building policies should not be considered a replacement for more robust welfare reforms, such as a Universal Basic Services agenda or properly funded income support. However, evidence suggests that owning financial assets confers benefits that are not replicated by other policy interventions. They provide important welfare effects beyond mere deferred consumption: they serve as a cushion against income shocks, stimulate development of other assets including human capital, enable specialisation and risk-taking, increase personal efficacy and social influence, and enhance political participation and community involvement. While critics maintain that asset-based approaches may be naïve and optimistic or could disproportionately benefit the already-advantaged, the evidence for positive “asset effects” remains compelling.

Sceptics also argue that these initiatives represent a problematic financialisation of social policy. But these critiques must be balanced against the alarming reality of growing wealth concentration. Extreme polarisation has created a system where non-wealthy individuals face significant structural barriers to accessing financial assets, including unequal access to asset markets, and lack of financial knowledge. Asset-building policies, despite their limitations, may represent a necessary attempt to democratise access to financial assets and to enable everyone to participate in economic prosperity.

Financial exclusion in context

Overall, the picture of financial asset ownership is bleak, although it has improved over recent years. A substantial number of individuals in the UK have either zero or negative wealth. Underneath these statistics are lives blighted by precarity. Not having any financial wealth (i.e. savings) can significantly undermine living standards, as people lack the ability to smooth out variations in their financial circumstances. This absence of a buffer exposes individuals to heightened risks during economic shocks, forcing reliance on borrowing, which can easily spiral into long-term debt. Beyond the financial strain, the stress and anxiety associated with living without savings robs people of the freedom and autonomy to navigate life's uncertainties.

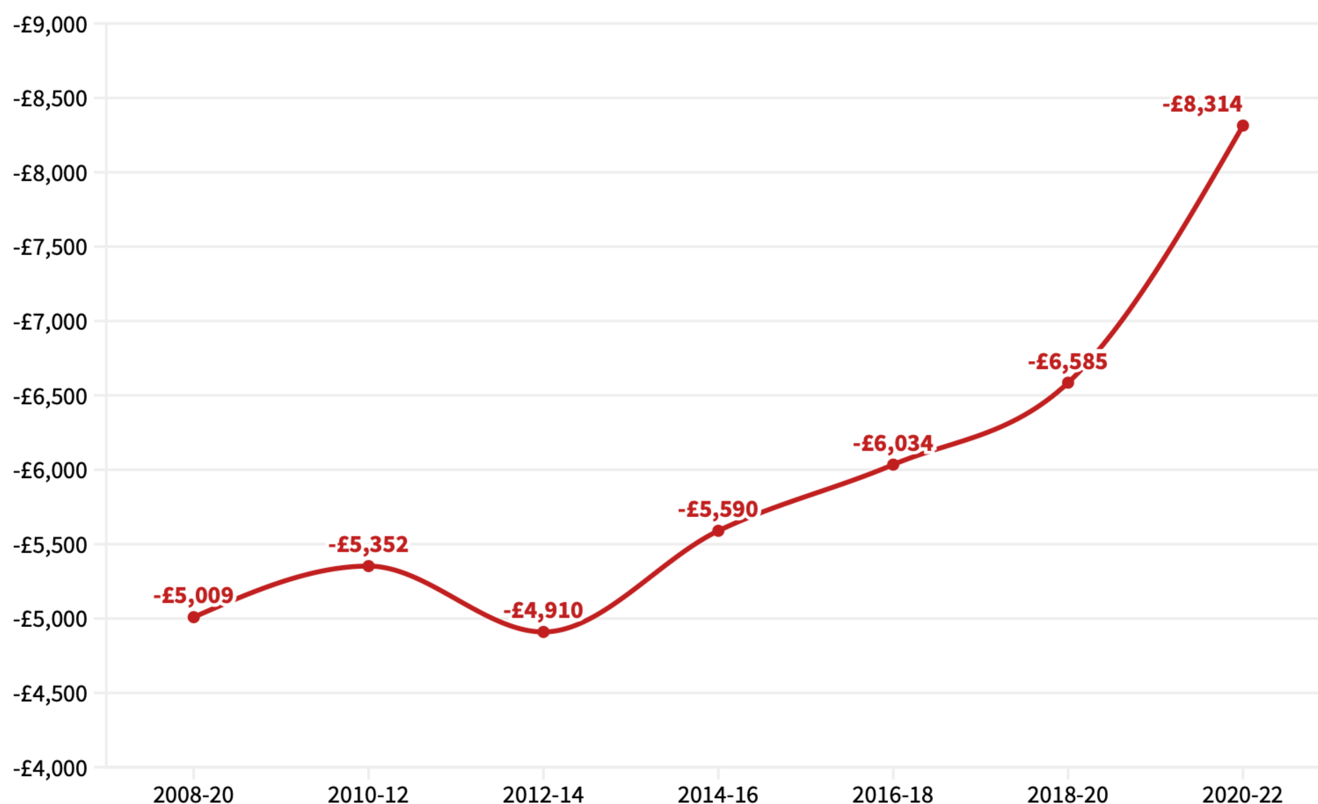


Source: Household total wealth in Great Britain: April 2020 to March 2022 (ONS, 2025), analysis by Dr Ben Tippet (KCL)

According to the latest ONS Wealth and Assets Survey (based on new analysis for the Fairness Foundation by Dr Ben Tippet at King's College London), around 21% of individuals had zero or negative financial wealth in 2020-22, down from just under 26% of people in 2008-10.[6] This substantial decrease represents a positive development, but also obscures other more worrying trends.

[6] Household total wealth in Great Britain: April 2020 to March 2022 (2025), Office for National Statistics

In particular, levels of debt *amongst* those in debt are now much higher. In 2008-10, average net financial wealth for those with negative financial assets (i.e. debt) was £5,008. That figure is now £8,313 - a 65% increase.

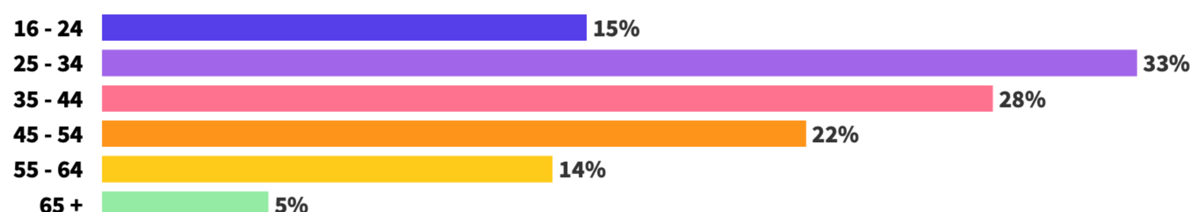


Source: Household total wealth in Great Britain: April 2020 to March 2022 (ONS, 2025), analysis by Dr Ben Tippet (KCL)

At a more granular level, the ONS data also reveals some stark disparities between age groups. Nearly a third of all 25-to-34-year-olds have zero or negative wealth, compared with 15% of 16-to-24-year-olds, 28% of 35-to-44-year-olds, 22% of 45-to-54-year-olds, 14% of 55-to-64-year-olds, and just 5% of over-65s. It is particularly notable that so many 25-to-34-year-olds lack savings (or are in debt), as this age group is navigating critical life transitions that require financial stability. These years often involve significant expenses, such as securing housing, starting families, pursuing further training, and establishing careers. While this could help explain an absence of savings, it may also represent a constraint on young adults' ability to fully invest in the opportunities that shape long-term stability.

Percentage of people with zero wealth

2020-22, by age group, all of UK



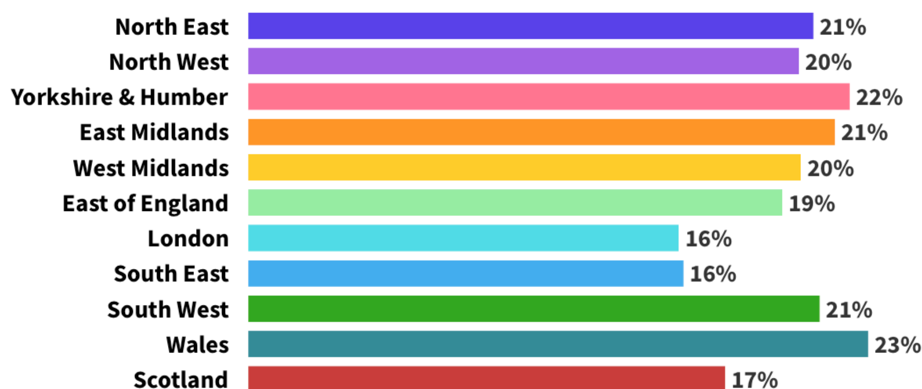
Source: Household total wealth in Great Britain: April 2020 to March 2022 (ONS, 2025), analysis by Dr Ben Tippet (KCL)

Unsurprisingly, there are also large disparities between regions. 28% of working-age adults (aged 16 to 64) in Wales have zero or negative financial wealth, compared with 18% in London, and 19% in the South East. In all other regions apart from Scotland, around a quarter of working-age adults have zero or negative financial wealth. These statistics reflect significant differences in opportunity and economic security across the UK.

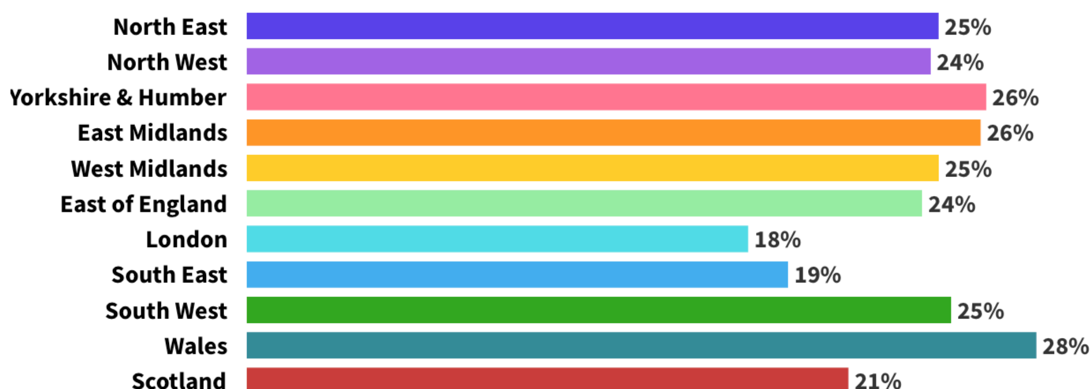
Percentage of people with zero wealth

2020-22, by region

All ages (16+) | Working age (16-64)



All ages (16+) | **Working age (16-64)**



Source: Household total wealth in Great Britain: April 2020 to March 2022 (ONS, 2025), analysis by Dr Ben Tippet (KCL)

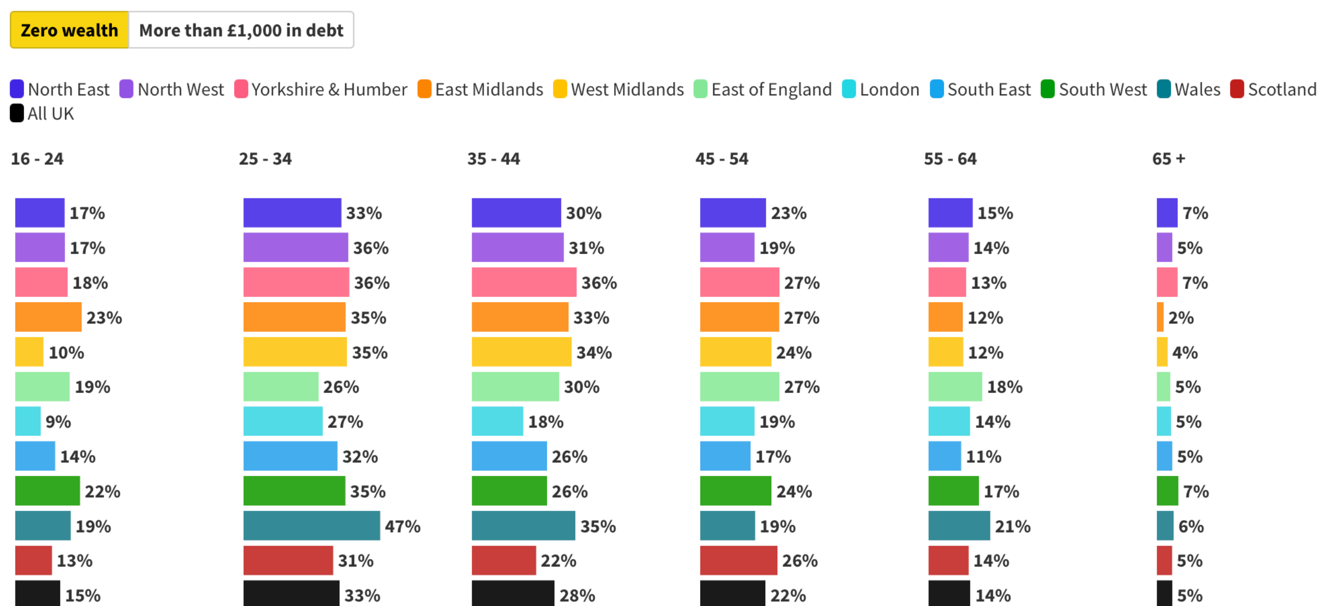
There also sizeable differences between age groups across regions. Among 16-to-24-year-olds in the South West, 22% have zero or negative financial assets, compared with 9% in London. For those aged 16 to 24 in the East Midlands, 21% have over £1,000 of financial debt, compared with 10% in the South East.

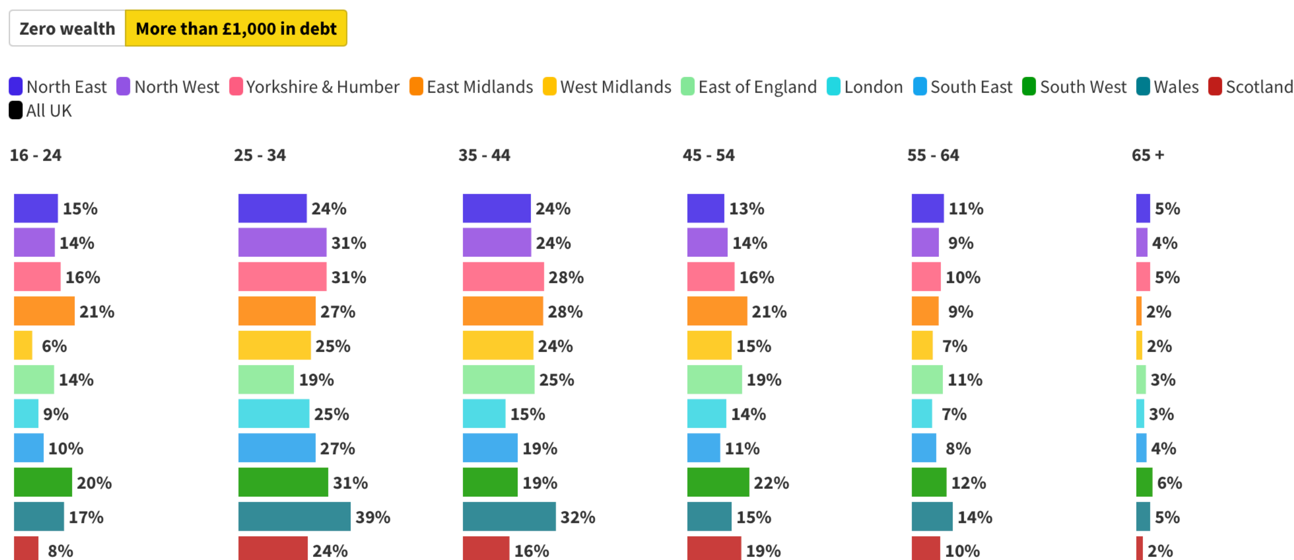
More shocking still is the 25-to-34-year-old category. In every region in England outside of London, the South East and the East of England, over a third of 25-to-34-year-olds have zero or negative financial wealth. In Wales, almost half (47%) of 25-to-34-year-olds have zero or negative financial wealth.

Percentage of people with zero or negative wealth

2020-22, by age group and region

For example: 17% of 16-24 year olds in the North East had zero wealth in 2020-22 (and 15% were more than £1,000 in debt)





Source: Household total wealth in Great Britain: April 2020 to March 2022 (ONS, 2025), analysis by Dr Ben Tippet (KCL)

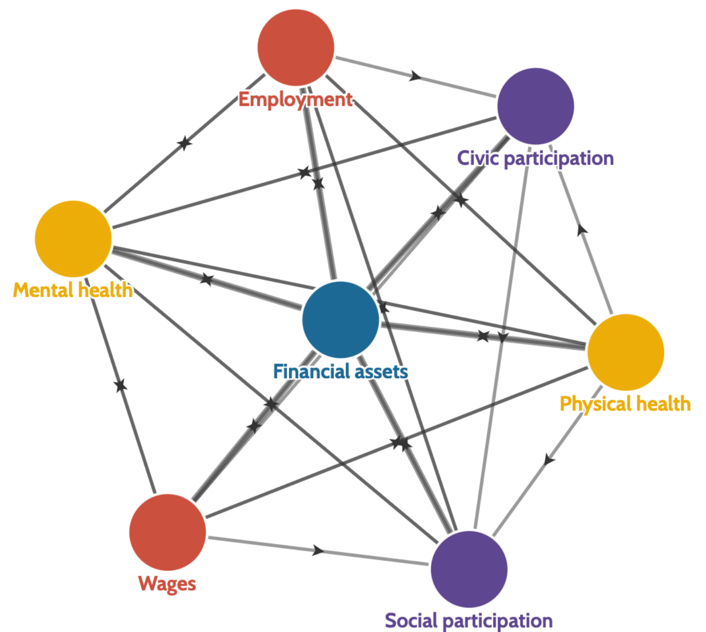
The absence of financial resources for many people, but especially young people, across the UK is particularly concerning given the profound benefits of savings, which extend beyond financial stability to overall well-being. Savings enable young people to avoid high-cost borrowing and indebtedness, and support long-term goals. But they also confer advantages that go beyond personal finance.

What do we know about asset effects?

The relationship between financial resources and life outcomes has traditionally centred on income, examining its level, stability, and distribution across populations. However, a growing body of empirical research suggests that wealth in the form of assets plays a distinct and profound role in shaping individual trajectories. This 'asset-effect' represents "the positive effects from holding an asset, over and above other individual and family circumstances and characteristics".[7] Assets function as more than merely stored financial resources; they embody potential, security, and opportunity in ways that income alone cannot.

While income primarily addresses immediate consumption needs through regular flows of resources, assets constitute a stock of wealth that can be strategically deployed across different life stages and circumstances. Consumption patterns vary throughout lifetimes, with critical periods often requiring expenditures that exceed current income.

What makes the asset-effect particularly significant is its multidimensional nature. Beyond their immediate purchasing power, assets create psychological benefits, including increased future orientation and self-efficacy. They provide critical buffers against economic shocks, enable investments in education and entrepreneurial ventures that can fundamentally alter life trajectories. Longitudinal studies have demonstrated that early asset-holding correlates with improved outcomes in wages, employment prospects, general health, and psychological well-being, even after controlling for socioeconomic background factors. The section below outlines the emerging evidence base for a distinct 'asset effect'.



The diagram on the right shows some of the causal relationships cited in this report (the thick lines, representing the impact of owning or not owning financial assets on mental and physical health, wages and employment, and social and civil participation, with bidirectional feedback loops in most cases). Each of these areas also impacts on the others (shown with thin lines), although the evidence for these effects is not cited in this report.

Assets and health

Evidence consistently demonstrates that financial asset ownership confers substantial benefits for both physical and mental wellbeing across the lifespan. This relationship extends beyond the immediate material security that assets provide, encompassing psychological benefits that enhance resilience, prevent disease, and promote overall wellness. The protective effects of financial assets begin in early childhood, strengthen during the critical transition to adulthood, and persist through midlife, influencing both immediate health status and long-term outcomes through multiple interconnected pathways.

Early exposure to financial assets significantly influences developmental trajectories in children, establishing foundations for lifelong health. Even modest asset ownership during childhood correlates with improved social-emotional health outcomes, independently of other socioeconomic factors. Children whose families possess savings accounts designated for their future education

[7] McKnight, A, (2011), Estimates of the asset-effect: the search for a causal effect of assets on adult health and employment outcomes, Centre for Analysis of Social Exclusion

exhibit better social-emotional development compared to peers without such financial provisions.[8] This relationship suggests that financial assets contribute to developmental pathways through mechanisms beyond immediate material benefits, potentially by positively influencing family dynamics and creating environments conducive to healthy psychological development.

The presence of dedicated financial resources for a child's future appears to modify parental expectations and behaviours, creating a more optimistic family outlook that translates into supportive developmental environments.[9] Parents with established financial assets for their children may engage in more positive future-oriented discussions, demonstrate reduced stress levels in daily interactions, and maintain more consistent household routines — all factors known to support healthy child development. These early advantages accumulate over time, establishing developmental trajectories that influence health outcomes throughout subsequent life stages.

The transition to adulthood represents a particularly sensitive period for establishing health trajectories that persist throughout life. During this critical developmental window, financial assets exert significant influence on physical health outcomes through multiple interrelated pathways. Young adults with positive net worth have a significantly higher probability of reporting better general health compared to peers with limited or negative financial positions.[10] This suggests that financial assets provide protective effects against physical health problems by both enabling healthier choices and reducing physiological stress responses that contribute to metabolic disorders (e.g. obesity). This relationship persists even after controlling for traditional socioeconomic indicators such as parental education and income, suggesting that assets provide unique protective effects beyond those conferred by other measures of socioeconomic status.

The relationship between assets and physical health operates through several mechanisms, including greater access to preventive healthcare, nutritious food options, safe housing, and recreational opportunities. These resources collectively enable asset-rich individuals to maintain healthier lifestyles and respond more effectively to health challenges. One study found that 43.5% of women with financial assets of £1,000 or more at age 23 reported "excellent" health ten years later, compared to 26.9% of non-asset holders.[11] Men showed similar but somewhat weaker positive trends, with 42.4% of asset holders reporting excellent health versus 34.9% of non-holders. Statistical treatment effects models attribute 26.8% of this health status gap directly to asset ownership, underscoring the substantial impact of financial resources on physical wellbeing.

Financial assets also exert substantial protective effects on mental health outcomes, often exceeding the benefits associated with income alone. This suggests that accumulated wealth confers greater psychological security than regular income streams, likely due to the buffer against uncertainty that assets provide. Young adults with established financial assets demonstrate significantly lower rates of depression compared to counterparts with limited assets or negative net worth. Longitudinal research indicates that adults who had savings accounts established during childhood exhibited significantly lower rates of depressive symptoms by age 25 than those without, even after controlling for parental income and other

---

[8] Huang, J., Sherraden, M., Kim, Y., & Clancy, M, (2014), Effects of Child Development Accounts on early social-emotional development: An experimental test in JAMA Pediatrics

[9] Huang, Jin, Michael Sherraden et al, (2021), Asset Building and Child Development: A Policy Model for Inclusive Child Development Accounts in The Russell Sage Foundation Journal of the Social Sciences

[10] Wu, S et al, (2018), Household Financial Assets Inequity and Health Disparities Among Young Adults: Evidence from the National Longitudinal Study of Adolescent to Adult Health in J Health Dispar Res Pract

[11] McKnight, A, (2011), Estimates of the asset-effect: the search for a causal effect of assets on adult health and employment outcomes, Centre for Analysis of Social Exclusion

socioeconomic factors.[12] Asset-rich individuals also demonstrate significantly better mental health outcomes across multiple indicators. At age 33, women with assets of £1,000 or more scored 35.5% lower on malaise indicators compared to non-asset holders, with these protective effects persisting into midlife.[13]

The mental health benefits of asset ownership stem from both material security and the confidence to effectively manage economic challenges. Asset ownership reduces chronic stress exposure — a key driver of mental health problems — and fosters psychological resources such as self-efficacy and perceived control over life circumstances, which serve as established protective factors against depression and anxiety.

The absence of financial assets creates psychological burdens that extend beyond emotional distress to affect fundamental cognitive processes. Neuroeconomic studies have linked financial stress to impaired prefrontal cortex function, reducing problem-solving abilities and emotional regulation capacity.[14] Young adults without emergency savings are 2.16 times more likely to experience significant depressive episodes when faced with unexpected expenses, highlighting the psychological vulnerability created by financial precarity.[15] This also imposes a "cognitive tax" that depletes mental reserves available for other life domains. Adults with negative net worth report higher rates of impulsive decisions in non-financial contexts, including relationship choices and health behaviours, compared to those with positive asset positions.[16]

This relationship creates a concerning cycle whereby financial precarity leads to compromised decision-making, which may further exacerbate economic hardship through suboptimal choices. Several cognitive biases intensify under financial stress, such as heightened loss aversion and present bias, which further illustrate how psychological factors impact financial behaviours. These cognitive patterns help explain why individuals experiencing financial hardship sometimes make decisions that appear counterproductive to long-term financial stability. Financial assets buffer against these negative psychological processes by providing security and reducing the cognitive load associated with financial scarcity.

Financial assets confer substantial benefits for both mental and physical health across the lifespan through complementary material and psychological pathways. These assets provide direct material resources that facilitate access to nutritious food, safe housing, and recreational opportunities, while simultaneously creating psychological advantages that promote adaptive behaviours conducive to maintaining good health. The evidence suggests that this happens through multiple mechanisms. It reduces chronic stress exposure, enhances psychological resources such as self-efficacy and perceived control, preserves cognitive capacity for effective decision-making, and fosters future-oriented thinking that supports preventive health behaviours. The relationship between financial assets and health outcomes is particularly influential during sensitive developmental periods such as childhood and early adulthood, with effects that persist into midlife and likely beyond.

Assets and work

Financial assets serve as crucial building blocks for economic stability and advancement. These assets form the foundation for financial security and create opportunities for economic mobility. This relationship becomes particularly significant during early adulthood, a period characterised by important financial and career decisions that can

---

[12] Wu, S et al, (2018), Household Financial Assets Inequity and Health Disparities Among Young Adults: Evidence from the National Longitudinal Study of Adolescent to Adult Health in J Health Dispar Res Pract

[13] McKnight, A, (2011), Estimates of the asset-effect: the search for a causal effect of assets on adult health and employment outcomes, Centre for Analysis of Social Exclusion

[14] Weida, E et al, (2020), Financial health as a measurable social determinant of health in PLoS One

[15] Weida, E et al, (2020), Financial health as a measurable social determinant of health in PLoS One

[16] Maylor, E et al, (2009), Associations between a one-shot delay discounting measure and age, income, education and real-world impulsive behaviour in Personality and Individual Differences

shape long-term economic trajectories. During this critical transition phase, individuals establish financial independence, develop career paths, and make consequential decisions about education, employment, and entrepreneurship that may influence their economic wellbeing for decades to come.

Individuals with financial assets at age 23 demonstrated higher employment probabilities at ages 33 and 42.[17] For men, the treatment effects model showed an asset-effect of 27% on employment probability at age 33, with higher asset values associated with stronger effects. Assets held at age 33 showed even stronger effects on employment at age 42, suggesting cumulative advantages. For women, those with assets at age 23 had an employment rate of 70.7% at age 33, compared to 67.6% for those without assets — a 3.1 percentage point difference. This pattern strengthened at age 42, with 83.5% of women who had assets at age 23 being employed, versus 78.0% of those without assets — a 5.5 percentage point difference.

There is also a notable gradient effect: as the value of assets increases, so does the probability of employment. For men with assets valued at £1,000 or more at age 23, the employment rate at age 33 was 96.2%, compared to 89.3% for those with modest assets between £0 and £200, and 84.2% for those with no assets. For women at age 33, the relationship between asset values and employment doesn't show the same clear gradient as for men, with the highest asset group (£1,000 or more) actually showing slightly lower employment than the middle asset groups. By age 42, women's employment rates do show a clearer positive gradient with asset values, similar to men, suggesting that the asset-employment relationship strengthens for women later in their careers.

Perhaps most striking is the evidence for cumulative advantages over time. Assets held at age 33 had an even stronger relationship with employment at age 42 than assets at age 23 had with employment at age 42. The marginal effect for men increased from 13.8% (age 23 assets) to 30.6% (age 33 assets) on age 42 employment probability. This temporal pattern suggests that the benefits of asset holding compound over time, potentially creating a virtuous cycle where assets facilitate stable employment, which in turn enables further asset accumulation.

There is also a clear association between modest asset holdings early in life and improved wages in adulthood. Men with assets at age 23 earned 5% higher wages at age 33. For women, the premiums were 7%. Importantly, these wage effects persisted after controlling for education, social class background, and other characteristics, suggesting a direct asset effect beyond what these other factors explain. Higher asset values were associated with larger wage premiums, with a clear gradient effect. For women, assets worth £200 to £1,000 at age 23 were associated with 10% higher wages at age 33, while assets over £1,000 yielded 11% higher wages.

There are many compelling potential causal mechanisms connecting assets to employment outcomes. Financial assets may provide a buffer against short-term income shocks, allowing individuals to maintain job searches or avoid having to take the first available job. Workers possessing limited assets display a "precautionary job search motive", where they prioritise employment stability over potential productivity and wage gains.[18] This risk-averse approach leads individuals with fewer assets to direct their search efforts toward lower-productivity positions that offer reduced unemployment risk, effectively trading optimal job matching for security. Conversely, those with stronger asset positions can afford more selective job searches, potentially experiencing longer unemployment durations but ultimately securing better-matched positions.

Other key mechanisms through which assets may affect wages include enabling human capital investments. Individuals with financial resources can pursue additional education and training without incurring substantial debt. Financial assets are also a critical enabler of entrepreneurship, particularly in contexts where external financing may be difficult to obtain. This

[17] McKnight, A, (2011), Estimates of the asset-effect: the search for a causal effect of assets on adult health and employment outcomes, Centre for Analysis of Social Exclusion

[18] Eeckhout, J et al, (2024), The Effect of Wealth on Worker Productivity in Review of Economic Studies

strong positive relationship is interpreted as evidence that liquidity constraints may prevent individuals with worthy projects from receiving the funds needed to start businesses.[19]

The literature provides substantial evidence that financial assets in early adulthood are associated with better employment outcomes, higher wages, and increased entrepreneurship. These relationships persist even after controlling for a wide range of background factors. The mechanisms through which assets influence these outcomes likely include both direct effects, like providing capital for investments in education or business ventures, and indirect effects, such as creating security that enables risk-taking and forward-looking behaviour.

Assets and social connection

Financial asset ownership plays a crucial role in facilitating civic and political participation. Through both material resources and psychological mechanisms, assets enable and motivate individuals to engage in their communities. Conversely, financial constraints limit both material capacity and psychological bandwidth for civic and political activities. Financially secure individuals demonstrate greater civic engagement across multiple dimensions—they are more likely to vote, volunteer for political campaigns, and participate in other forms of civic activities compared to their financially insecure counterparts.

Individuals with emergency savings equivalent to three to six months of expenses report 23% higher rates of social engagement (e.g., attending weddings, hosting gatherings) compared to those without buffers.[20] This could stem from reduced anxiety about unexpected costs derailing plans — a phenomenon observed in UK households where liquid wealth predicted perceived social belongingness independent of income.

Asset ownership also fosters reciprocity and reduces friction in social interactions by enabling participation in peer networks. Individuals can invest in personal relationships to build their social capital through activities like attending networking events, joining community groups, and volunteering time. These activities build aspects of social capital such as networks, trust, and shared understanding. Young adults with investment portfolios are 2.5 times more likely to financially support friends during crises, strengthening social capital through mutual assistance.[21] Conversely, indebted peers often withdraw from social obligations to avoid shame, exacerbating their isolation. This creates a feedback loop where financial strain reduces civic and social participation, potentially limiting access to the social capital and community resources that might otherwise help to address economic challenges.

Individuals with financial assets are also more likely to vote and engage in political activities.[22] Financial hardship appears to reduce participation by diminishing interest in politics and weakening an individual's sense of political efficacy and agency. This underrepresentation of individuals without financial assets in political processes creates a self-reinforcing cycle where policy increasingly favours the economically advantaged. When those with fewer financial assets participate less, their policy priorities receive less attention from politicians. These patterns contribute to declining trust in political institutions, potentially fuelling support for extreme politics.

The relationship between assets and civic and political engagement is often explained through 'stakeholding' theory, which suggests that owning assets provides both resources and incentives for civic action. When individuals hold a stake in their communities, whether through home ownership, business investments, or other financial assets, they develop enhanced motivations to participate in civic and political

---

[19] Bellon, A et al, (2020), Personal Wealth, Self-Employment and Business Ownership in Review of Financial Studies

[20] Adya, A et el, (2024), Social capital in action: the role of civic engagement in individuals' savings behavior in the United Kingdom in Nanyang Technological University

[21] Cannon, B et al, (2024), Friends with Benefits: Social Capital and Household Financial Behaviour in National Bureau of Economic Research

[22] Bynner, J. and W. Paxton (2001). *The Asset-Effect*, IPPR

processes that affect those investments. The concept of 'stakeholding' suggests that having investments enlarges people's sense of self and domain of concern, potentially driving engagement even among those with modest assets. However, community asset ownership yields similar benefits. This collective dynamic helps explain why some low-income, low-wealth families engage civically across various behaviours despite limited resources, participating in religious organisations, neighbourhood activities and children's programmes, and contributing to community causes.

The literature clearly demonstrates significant relationships between financial assets and various social, political, and civic outcomes. Multiple interconnected mechanisms explain how financial resources influence civic participation and community engagement. Financial assets provide direct tangible resources necessary for civic involvement, including time, money, and skills development — a phenomenon evidenced by consistently higher voting rates among financially secure population groups. The absence of adequate financial resources creates strain that diminishes cognitive bandwidth. Asset ownership also fosters the development of trust and reciprocity within communities, thereby strengthening social networks, and creates psychological incentives for civic action.

Understanding the relationships between financial assets, particularly in early adulthood, and a range of positive life outcomes provides compelling support for asset-building policies. These ideas have a long history, but they have gained some traction over the past few decades. A number of policymakers and academics have published studies that have sought to shift attention from income towards assets. These policies can range from matched savings programmes to capital grants or endowments. They typically involve restricting access to funds until a specific age, and sometimes limiting their use to approved purposes like education or housing.

The Child Trust Fund (CTF) scheme, launched in 2005, positioned the UK as a pioneer in asset-based welfare experiments. The government automatically deposited £250 (or £500 for low-income families and children with disabilities) into a savings and investment account for every child born after 2002. These accounts allowed annual tax-free contributions of up to £1,200 from family members and other individuals, with funds becoming accessible to the account holder at age 18 without restrictions on usage. The scheme remained active until 2011, when it was discontinued. By that time, 4.5 million accounts had been established, covering 70% of eligible children.

The policy was designed to achieve several objectives, including cultivating financial responsibility, fostering economic engagement, redistributing wealth, and inducing behavioural shifts through asset ownership. A lack of direct research into its impacts have made it difficult to draw any firm conclusions about whether it achieved these objectives. However, we know from other similar polices elsewhere that CTFs or Child Development Accounts (CDA) demonstrate significant positive impacts on well-being and savings.

Consistent with other research on asset effects, CTFs generate positive impacts on educational expectations, mental health, and social-emotional development.[23] But most notably, CTFs have substantial effects on savings rates, with particularly strong benefits for disadvantaged children, reducing asset inequality early in life by eliminating or greatly reducing variation in account holding by socioeconomic status. Indeed, the decrease in the proportion of 18–24-year-olds who had no, or negative, financial wealth from the 2018-20 to 2020-22 in the ONS Wealth and Assets Survey may in part be the result of the first wave of CTFs maturing.

As others have noted, the UK's CTF experiment carries important lessons for asset-based policy proposals in the future.[24] To endure in a more contentious political environment, they must be underpinned by more compelling narratives. In today's changed context, where wealth inequality is on the political agenda, it would make sense to more consciously and directly connect potential policies like a wealth tax or changes to the inheritance tax system to progressive asset-based interventions. Revenue from wealth taxes could be transparently directed toward universal asset endowments, creating a compelling narrative that addresses growing wealth concentration while simultaneously highlighting how even modest financial assets produce meaningful improvements in life outcomes.

[23] Sherraden, M, (2018), Asset Building as Social Investment in The Journal of Sociology & Social Welfare

[24] Bangham, G, (2018), The new wealth of our nation: the case for a citizen's inheritance, Resolution Foundation. And also Clark, T, (2023), Depleted Assets, JRF

www.fairnessfoundation.com

mail@fairnessfoundation.com

Charity #1044174 | Company #02912767

Gunnery Works, 9-11 Gunnery Terrace, London SE18 6SW

All content published under the Creative Commons Attribution-NonCommercial-ShareAlike 4.0 International Licence (CC BY-NC-SA 4.0)