The Impact of Asset Tests in Two European Minimum Income Schemes

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Paper prepared for the 35th IARIW General Conference

Copenhagen, Denmark, August 20-25, 2018

PS16: Other

WEDNESDAY, AUGUST 22, LATE AFTERNOON

Very first draft, preliminary results. Please do not cite.

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Abstract

This paper explores the effects of asset tests in social benefit schemes and more particularly minimum income protection (MIP) schemes. We look at the impact on two important outcomes: eligibility rates and poverty. The role of asset tests has been extensively researched in the Anglo-Saxon context. To our knowledge, however, ours is the first paper that looks at the impact of asset tests in a continental European context, through a comparison of asset tests and their effects in Belgium and Germany. Both countries have quite detailed asset tests within their minimum income protection schemes. Our comparison shows however important differences in the design of these asset tests. They differ in terms of complexity, balance of taxing capital income vs. capital itself and the treatment of real estate.

We use the EUROMOD microsimulation model on the HFCS (Household Finance and Consumption Survey) data. The HFCS was explicitly designed to more realistically reflect assets and capital incomes. In addition, while microsimulation has been extensively applied to analyze the redistributive effects of (alternative) MIP schemes, social insurance schemes and taxes, this is one of the first papers that uses this methodology to analyze the effects of asset tests in Europe. In particular, we aim to assess how current asset tests impact on the coverage of MIP schemes, and hence on the extent to which they mitigate poverty.

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1 Introduction

There has been a massive surge in academic and public interest in wealth ever since Thomas Piketty's "Capital in the 21st Century" burst into public consciousness. There is a rapidly growing literature on assets and wealth, which overwhelmingly focuses on the top and the middle of the distribution. The role of assets is however less well-covered in scholarly social policy research, even though assets clearly matter for social policy. People who are identified as poor or financially needy on the basis of income sometimes may have meaningful assets. Those assets can be very sizeable indeed in some cases, as a recent study for Belgium demonstrated (Kuypers and Marx, 2018). This clearly affects their (comparative) need for social benefits such as minimum income protection as provided by the state, and possibly their legitimate claim on such resources. Hence, means-tested transfer schemes in Europe and elsewhere tend to include not only income tests but also asset tests of various sorts. These have not been studied in very great depth, at least for mainland Europe.

This study seeks to make a first contribution looking into the role of asset-tests in European minimum income schemes. This is important because minimum income protection provisions (through social security or social assistance) remain highly inadequate and the numbers living in poverty remain high. Yet at the same time public budgets are facing competing demands, while public support for more redistribution - especially non-contributory entitlements - appears more fragile than ever in places. For minimum income protection to have robust public support, it is important that it is actually perceived to be supporting those in the most real and acute financial need.

This paper assesses the effects of asset tests in social benefit schemes and more particularly in minimum income benefit schemes. We look at how prevalent asset tests are in European minimum income schemes. We look in greater detail at how asset tests actually work in two countries, Belgium and Germany. These neighbouring countries were selected as they both belong to the most advanced economies in Europe and their social security systems are both largely founded on Bismarckian principles. Belgium is known to have a moderately high and stable income poverty rate compared to other Western countries (e.g. OECD, 2008; Eurostat). Yet at the same time, median wealth holdings are among the highest in Europe and wealth appears to be less unequally spread than in other countries, in part thanks to traditionally high home-ownership rates. Furthermore, income and wealth appear to be relatively weakly correlated (Kuypers et al., 2015; Arrondel et al., 2014; HFCN, 2013b), including in the lower strata of the income distribution. Germany on the other hand, although characterized by an income distribution that is close to the Belgian

one, has far lower wealth holdings among the broader population, and it is also more unequally distributed. At the same time, minimum income benefit levels are comparable in both countries, around 70% of the poverty threshold for a single, putting them in the middle group of western European countries (Van Mechelen and Marchal, 2013). Both countries have quite detailed asset tests within their minimum income protection schemes, but with important differences. Asset tests exhibit different levels of complexity, a different balance on taxing the real income from capital vs. the capital itself, the treatment of real estate and of household appliances.

To see how asset test actually affect eligibility we use the EUROMOD microsimulation model on the rich HFCS (Eurosystem Household Finance and Consumption Survey) survey data. This survey was explicitly designed to more realistically reflect assets and incomes from capital. We have adapted Europe's main microsimulation model EUROMOD to fit that database. That offers new possibilities. While microsimulation has been extensively applied to analyze the redistributive effects of (alternative) minimum income schemes, social insurance schemes and taxes, to our knowledge this is the first paper that microsimulates the impact of asset tests in continental European countries.

In the next section we position our paper in the literature. In section 3 we discuss asset test in Germany and Belgium. In section 4 we explore the relevance of assets tests in terms of effect on eligibility and poverty using the HFCS data and EUROMOD. The final section concludes and discusses future steps for analysis.

2 Literature review

For the purpose of this paper, we consider wealth to be relevant from two perspectives. On the one hand, it should be included in the concept of living standards, and thus may change the size and pattern of inequality and poverty. On the other hand, given its importance for living standards, this is a relevant dimension for social policy design, and more specifically minimum income protection schemes.

2.1 A joint income wealth perspective in social policy

Living standards are usually defined in terms of equivalised disposable household income. Monetary poverty measures also build on this metric. Since this income concept entails not only income from labour and social transfers but also income from financial investments and renting out real estate property, one may wonder why it would still be necessary to include information on assets and debt when assessing living standards. There are several compelling reasons.

First, savings and assets also contribute to living standards above and beyond their income flow. They assure financial security because they can be used to face unexpected events (Cowell & Van Kerm, 2015). In other words, when income is lost or decreased, due for example to unemployment, sickness, divorce, etc., accumulated wealth can be reduced in order to smooth out consumption (Brandolini et al., 2010). Moreover, assets can be used as collateral against which can be borrowed (this often relates to mortgage

debt) (Azpitarte, 2012). In contrast, when repayments of loans are large, living standards may be considerably worse than mere incomes suggest (this often relates to consumer loans and credit card debt). Hence, although there exist evident links between income and wealth, mainly through savings and borrowing constraints, the correlation between income and wealth is far from perfect (Jäntti et al., 2013; 2008; Skopek et al., 2012; Brzozowski et al., 2010). In other words, there are households with low income but high wealth and vice versa. From a different perspective assets and savings also largely affect long-term consumption and living standards, for current as well as for future generations. Indeed, assets allow to make purchases to move up the social ladder (Cowell & Van Kerm, 2015; Nam et al., 2008).

Second, including wealth and assets in an assessment of living standards clearly has important consequences for poverty measurement. "Although poverty reduction is a universal goal among both nations and international organizations, there is no commonly accepted way of identifying who is poor." (Haveman & Wolff, 2004, p.146). The concept of poverty usually refers to a situation of economic hardship, when the financial resources over which people have command are insufficient to guarantee a minimally acceptable standard of living. A definition of poverty requires an identification of 'financial resources' and a method to determine the minimally acceptable living standard. In a developed context, the first is typically expressed in terms of yearly or monthly disposable income, while the latter is more contested. In the EU the most important poverty indicator is the At-Risk-of-Poverty (AROP) measure, which sets the poverty threshold at 60 per cent of national median equivalised disposable household income. As argued above, wealth holdings affect living standards and should therefore be integrated when measuring poverty. Also the presence of large financial liabilities might also be incorporated in poverty measurement because it may make households much more vulnerable than their mere incomes suggest. Furthermore, because income is by nature rather volatile, evidence shows a large turnover in income poverty (Azpitarte, 2012), while assets and liabilities are much more stable. For these and other reasons several authors have argued in favour of including information on wealth in poverty measurement because it better reflects *all* the financial resources available to households (e.g. Azpitarte, 2012; Brandolini et al., 2010; OECD, 2013; Stiglitz et al., 2009).

Clearly, assessing living standards and poverty rates taking account of wealth and assets will have an impact on how countries compare, and on how we evaluate the effectiveness of social policies. We refer here to the work of Kuypers and Marx (2018), who have calculated social indicators from a joint income wealth perspective. Table 1 shows a number of social indicators for BE and DE. While median living standards and overall poverty rates are nearly identical, their levels and distributions of private household wealth differ completely. This difference is mainly the consequence of a significant discrepancy in the home-ownership rate. About 70 per cent of Belgian households own their house, but although many countries have similar home-ownership rates today, Belgium has been a 'nation of homeowners' for a long time already (De Decker, 2011). This is the consequence of a century-long "asset-based approach to welfare" (De Decker & Dewilde, 2010) in which homeownership was highly encouraged through various policy mechanisms. In contrast, Germany has at 44 per cent the lowest home-ownership rate in the Euro Area, which "[…] can be explained by historical (WW2), taxation and institutional reasons" (HFCN, 2013b, p.29). Moreover, the correlation between the income and wealth distributions is weaker in Belgium than it is in Germany (Arrondel et al., 2014; Skopek et al., 2012). In particular, Belgium has a relatively large share of households with low incomes but substantial wealth holdings, which are mainly represented

among the elderly population (Arrondel et al., 2014; Van den Bosch, 1998). Clearly, applying a joint income wealth perspective on social (policy) outcomes in Belgium and Germany will lead to different assessments.

Table 1. Comparison of social indicators, Belgium and Germany

	Belgium	**Germany**
Median equivalised disposable income (*)	€19,313	€18,586
At-risk-of-poverty rate (*)	14.6%	15.5%
Median net wealth	€206,000	€51,000
Home-ownership rate	69.6%	44.2%

Note: Calculations are based on the 2009 HFCS data, in line with the HFCS income reference period.

Source: Table adapted from Kuypers & Marx, 2018.

Kuypers and Marx (2018) indeed find lower poverty rates when wealth is incorporated in the measurement of poverty compared to the traditional income poverty headcount, but the impact differs largely between Belgium and Germany. They use two methods that have been presented in the literature to take account of wealth in poverty measures. On the one hand, the so-called unidimensional approach defines poverty by the sum of income and wealth, whereby wealth is converted into a flow of resources through annuitizing (see Weisbrod & Hansen, 1968). On the other hand, the two-dimensional approach develops separate poverty lines for income and wealth (see Azpitarte (2012; 2011), Headey (2008) and Haveman & Wolff (2004)). According to the unidimensional approach the share of poor households decreases with 5.7 percentage points for Belgium and with 2.2 percentage points for Germany (see Table 2). Outcomes for the two-dimensional approach indicate that about 6.2 per cent of Belgian households are both income and asset poor, while almost 11 per cent have an income below the poverty threshold but own substantial amounts of wealth, which is about two-thirds of all income-poor households. Interestingly, 5.6 per cent of households are not considered poor according to the traditional income poverty line, but they have little or no assets to fall back on, which makes them very vulnerable to an income loss. Among German households the three groups represent about the same share. Less than half of all income poor households are found to have sufficient wealth holdings. Table 2 also provides results separately for the elderly and non-elderly[1]. It is clear that the inclusion of wealth has a much larger impact on the number of poor elderly than non-elderly, which also corresponds to evidence from other studies. Again, the effect is larger among the Belgian elderly than among the German elderly.

[1] Elderly is defined as at least one of the adults being 65 years or older, the legal retirement age in Belgium and Germany.

Table 2. Baseline poverty rates in Belgium and Germany when incorporating wealth in the living standards concept

Poverty measure	All		Elderly (65-84)		Non-elderly (-64)	
	Belgium	**Germany**	**Belgium**	**Germany**	**Belgium**	**Germany**
Income poverty[2]	17.1	18.5	14.2	16.6	18.1	19.2
Unidimensional	11.4	16.3	3.5	11.9	14.1	18.0
Two-dimensional						
Income & asset poor	6.2	9.7	1.4	5.7	7.9	11.3
Only income poor	10.9	8.7	12.8	10.9	10.2	7.9
Only asset poor	5.6	11.1	4.2	6.0	6.1	13.0

Note: Calculations based on HFCS 2009.
Source: Kuypers & Marx, 2018.

These outcomes illustrate the relevance of taking account of wealth when measuring poverty. As wealth affects living standards, it is also an important concept for policy makers when they want to target benefits; this is discussed in the next section.

2.2 Asset tests in minimum income protection targeting

One of the main aim of social policies is to redistribute resources. This may either be over the lifespan, in which case we speak of horizontal redistribution, or from the rich to the poor, labeled as vertical redistribution (Cantillon and Van Mechelen, 2014). Generally, benefit schemes combine both rationales, although one or the other will usually be more dominant. Contributory schemes, such as contributory pensions or unemployment insurance, are geared towards redistributing income over the lifecycle, when different social risks may manifest themselves. Yet within this dominant rationale, certain social provisions are included that effectively ensure vertical redistribution, such as benefit ceilings and minimum benefits. Other schemes have as a dominant focus to redistribute benefits from the rich to the poor.

Minimum income protection schemes, often financed from general tax revenues, have as prime objective to provide a last safety net for the population that does not succeed in obtaining an income on the labour market, nor has any other means to provide for its own needs. Hence, minimum income schemes effectively follow a vertical redistribution logic. Its prime awarding criterion is the vulnerability of its target population. Policy makers therefore aim to target these benefits to those with the most insufficient living standards. Whereas there are different approaches to identify the most vulnerable (for instance through

[2] The results based on the HFCS are slightly higher than the official income poverty rates reported by Eurostat (See Table 1). This is the consequence of the combination of a slightly higher median income in the HFCS than in other surveys and lower disposable incomes at the bottom of the distribution (Kuypers et al., 2015). Moreover, in contrast to the general evidence on income poverty (OECD, 2008; Eurostat), the traditional income poverty measure based on the HFCS suggest a smaller incidence among elderly than among non-elderly.

proxy categorical targeting, or self-identified targeting in work programmes, Van de Walle, 1991; Akerloff, 1978), in Western minimum income schemes policy makers usually rely on an assessment of the means of claimants (Bahle et al. 2011). From section 2.1 it is clear that from an objective to target the most vulnerable, such a means-test should look at both incomes *and* assets.

While it makes sense to take assets into account in determining eligibility for needs-based income support, it also raises a number of concerns. First of all, a – mainly Anglo-Saxon – literature has emerged on the issue how asset tests impact on saving behavior of low income groups. Benefiting from natural experiments in US states where different asset tests apply, Powers (1998) and Nam (2008) find that low income households generally save more when asset tests are more lenient. Other authors however only find this effect when looking at a specific type of asset tests (i.e. car) (Baek & Raschke, 2016; Bansak, Mattson, & Rice, 2010; Sullivan, 2006) or shed doubt on its existence entirely (Hurst & Ziliak, 2006). Yet whether or not asset tests impact on overall savings behavior among low income groups, the more direct impact of shedding assets prior to a claim can be considered highly problematic, as it makes social assistance beneficiaries more vulnerable (Paulhus, 2014). It limits their long-term ability to cushion future income shocks (Guo, 2011), or to seek out investments in education (Kuypers), making repeated benefit spell more likely. In se, holding assets can be considered more and more as a *conditio sine qua non* for more resilient households (Atkinson, 2015; Milanovic, 2016). A policy measure that actively discourages asset holding by vulnerable households can in this context be considered counterproductive. In addition, there is also a concern about fairness, when strict asset tests leave people who have saved during their life equally worse off than others (Hills, 2014). Furthermore, asset tests can discourage vulnerable households from applying to social assistance. O'Brien (2008) finds for the American asset tested TANF program, that possible claimants routinely underestimate the amount of exempted savings. Claimants also report that asset tests can be experienced as stigmatizing and intrusive. Also, given the lack of information on asset holdings in many western countries, a focus on asset tests may limit prospects for a more automatized awarding of minimum incomes (Paulhus, 2014), which could substantially reduce non-take-up.

3 Asset tests in Germany and Belgium

In this light it makes sense to ask how asset tests are actually organized in the European countries. Are there specific precautions in place to mitigate some of the more adverse effects of asset tests? Is there a balance that can be struck between wanting to select the truly needy, limiting administrative hassle and still allowing for a sufficient financial cushion? In this section we briefly outline the main principles of asset tests in Europe, before we describe the specific design of the asset test in the Belgian and the German minimum income schemes.

3.1 The reach of asset tests

We use MISSOC, the European database of social policy legislation in the EU Member States, to gain a first understanding of the variation in asset tests in the European minimum income schemes.

As expected from the function of minimum income protection provisions, assets are taken into account in all countries. Yet there are important differences in the precise treatment of different types of assets, in the level of detail of MISSOC and in whether certain goods or wealth types are exempt. In some countries, such as France or Poland, MISSOC does not mention detailed asset tests, but stresses that a flagrant discrepancy between the level of income and the perceived living standards may give rise to an investigation that can lead to sanctions or refusal of benefits.

In most member states, the family home is disregarded in the means test, as long as it is not considered to be overly abundant. This stipulation opens up room for local or discretionary interpretation in some countries, elsewhere legislation details maximum sizes, maximum values or compares to notional real estate values set by the government. Both in the Netherlands and Austria, the MISSOC based description seems to indicate that the house does not need to be sold, but that social assistance may be granted against the value of the home. In Luxembourg, the value of the house is converted into an annuity which is then taken into account as income. There is some variation in the treatment of real property other than the family home. Broadly, there seem to be three categories: in some countries, other real property disqualifies altogether from social assistance receipt; in other countries, it is included under discounting rules specific for real property (in some cases in combination with the family home), in a third group of countries, its value is added to all assets of the household, and assessed in combination. Finally, some countries mention an assessment of past actions in buying or selling real property, in refusing inheritances or gifts, or in donating property or money.

Self-evidently, asset tests also assess movable property. In a group of countries the ownership of a vehicle is not mentioned as a disqualifying criterion, elsewhere a personal vehicle is taken into account. In the latter group, the law usually states that vehicles are allowed as long as they do not surpass a certain value, are used for the transport of disabled (and in some cases elderly persons, or children) or when there is no good infrastructure. It is not clear whether, given these exceptions, the requirement actually touches a large group of persons, or whether first vehicles are in practice often disregarded.

A number of countries also explicitly mention “material goods”. Some of these goods disqualify altogether, in other countries they are mentioned as disregarded. Often, assets of the child, clothes, household furniture and objects are disregarded. Goods that disqualify for social assistance receipt altogether are explicitly mentioned for Greece (luxury transport items and swimming pools), Lithuania (art and jewelry if their value exceeds a certain amount) and Romania (a certain amount of livestock).

Usually however, MISSOC does not mention specific goods that disqualify. Rather, the value of all movable assets is added and taken into account according to specific rules. Usually, there is a threshold below which the value of movable property (including savings) is not taken into account. Clearly, the value of this threshold differs substantially between the European Member states: from 256 euro per family member in Bulgaria to around 6000 euro for singles in the Netherlands and Belgium. Values above this threshold either disqualify, or are assumed to generate income at a fictional interest rate and added to the income for the income test. Although not that common in the EU Member States, in some countries the source of movable property matters to define how much of it is exempted. This is most notably the case for movable

assets that stem from the sale of the family home (e.g. Belgium and Hungary), or for savings in a private pension plan (e.g. the Czech Republic).

In sum, whereas assets are clearly considered to be important to assess claimant's eligibility, European Member States have developed different ways of taking assets into account. There is important variation in the treatment of immovable property and the family home. Also, different approaches exist as to "disqualifying assets". Whereas some countries have lists of assets that immediately disqualify, either due to their nature (certain luxury items, or a spacious family home) or through their values (a threshold above which one disqualifies altogether), other countries assume assets generate a fictional income and lower the benefit accordingly. These different choices self-evidently give rise to different and many technical details (what threshold? Which interest rates? Which exempted goods or values?). Whereas it would take us too far to provide a full overview of these technical differences, we will provide more information below for DE and BE.

3.2 The design of asset tests in the Belgian and German minimum income schemes

We describe below in detail the variables and considerations behind the asset-tests in the means-tests for minimum income protection schemes in Belgium and Germany.

For Belgium, we focus on the social assistance scheme for those of active age (the so-called living wage) and the income guarantee for elderly. For Germany, we include a discussion of the main minimum income scheme for those of active age (Arbeitlosengeld II) and the minimum income protection scheme for elderly and for those of active age who are considered to not be able to work (Grundsicherung im Alter und bei Erwerbsminderung).

3.2.1 Belgium

In Belgium, most of the elderly and the active-age population without work rely on social insurance, old age pensions and unemployment benefits respectively. For those who have no or only limited entitlements in these schemes, a residual minimum income scheme exists.

People of active age without work may be entitled to a social assistance benefit called the living wage, guaranteed under the law "Right to social integration". This benefit is conditional upon satisfying a means-test and demonstrating work willingness. For the elderly, a means-tested 'minimum income guarantee for the elderly' exists. The base amount of both benefits depends on the family situation (single, cohabiting or head of family for the living wage; single or cohabiting for the income guarantee for elderly). The actual amount paid is the base amount minus the means of existence. These means are determined in a (slightly) different way in both benefits. As are the base amounts themselves, the calculation of the means of existence is overall more generous for the elderly.

The means of active age social assistance claimants are re-assessed each year. The local welfare agencies do have the authority to opt for more frequent checks. In any case, claimants should report changes in circumstances. There is no regular revision of means legislated for elderly claimants. Also for this benefit, a beneficiary should notify the administration of increases in his or her means, of which the sale or gift of certain (im)movable property are the most common. The administration will also reassess the income

guarantee for elderly when the composition of the family changes, or when it receives information that indicates that means have changed without the recipient notifying them, most commonly from inheritance tax data.

Table 3 provides an overview of the assets taken into account for active age and elderly social assistance claimants. (A table with an overview of the full means-test can be found in the appendix).

Three important observations stand out.

First, neither benefit states an explicit disqualifying value that assets may have, in the sense that a certain value of assets will disqualify you for the benefit outright. Rather, movably property are assumed to have a fictional rate of return, which is included in the assessment of income. As Table A1 in annex shows, apart from the general exempted amount for all incomes, this fictional rate of return will one on one decrease the annual value of the benefit. Ultimately, this will lead to a benefit level of zero, and hence to ineligibility for the benefit. A same approach applies to immovable property. Other than the actual value, this calculation hinges on the cadastral revenue of the immovable property the claimant owns. The cadastral revenue is a national income that has been set for each property in Belgium, based on the theoretical annual rent in the seventies. Clearly, this is a rather imperfect measure of both the value of one's home, and even of the actual income one derives or may derive from it. In addition, important shares of the cadastral income are exempt, and these exemptions increase with the number of children living in the dwelling. For the living wage, the social assistance scheme for those of active age, if property is rented out, the actual rent income is taken into account. This is not the case for the asset assessment for the income guarantee for the elderly.

Second, even though the principles behind the asset tests in both means-tested schemes are very much alike, we see that the means-test for the elderly is often less stringent than the ones for those of active age. Most importantly, their savings are assessed at a lower fictional rate of return.

Third, the local welfare agency may take important real estate transactions over the past 10 years into account. There are no data on how often a local welfare agency chooses to implement this rule. Yet it is clear that the law does provide some tools to check whether someone has "organized" his or her vulnerable situation. On the other hand, the rules to take into account the receipts of the sale of the family home in the past 10 years are relatively generous. These rules apply both when the receipts are no longer there, as when the claimant still has (some of) the capital received for his or her home.

Table 3. Means-test for the living wage and the income guarantee for elderly in Belgium

	Living wage	IGO
(income from) immovable property	Cadastral income above exempt amount * 3 * share in ownership - annual amount of mortgage interest [a] If the property is rented, rent (* share in ownership) or cadastral income (calculated as described above) are taken into account, whichever is highest. Exempt amount of cadastral income: Built property: (€750 + €125 per child) * share in ownership Unbuilt property: 30 euro * share in ownership	Cadastral income above exempt amount * 3 * share in ownership - annual amount of mortgage interest [c] Exempt amount of cadastral income: Built property: €743,68 + €123,95 per child * share in ownership Unbuilt property (only if there is no built property): 29.75 euro * share in ownership
(income from) movable property	savings < 6200 euro: 0 € 6200 < savings < €12500: 6% of savings savings > €12500: included at 10%. In case of shared accounts: * 1/number of owners of the account. Savings include cash, savings accounts and other financial products, including private pension funds. An unexplained drop in movable property in five years prior of the claim, can be reclaimed from the children.	savings < 6200 euro: 0 € 6200 < savings < €18600: 4% of savings savings > €18600: included at 10%. In case of shared accounts: * 1/number of owners of the account. Savings include cash, savings accounts and other financial products, including private pension funds.
income from sold (or donated) immovable property	if sold or donated in the past 10 years: Value is taken into account according to the rules of movable property (yet the values are not added to other movable property). The value to be taken into account is determined for • The family home (if no other built property) or a single unbuilt immovable property (if no other property): Market value minus personal debts[b] : exempted amount of 37 200 euro, and an additional exempted amount of 1250/2000/2500 euro per year (depending on family situation). • Other immovable property: Market value minus personal debts. • Personal debts are not subtracted if the property was donated. 100% of market value if full ownership, 40% if usufruct, 60% if bare owner. Ownership share taken into account when calculating market value.	if sold or donated in the past 10 years: Value is taken into account according to the rules of movable property (yet the values are not added to other movable property). The value to be taken into account is determined for • The family home (if no other built property) or a single unbuilt immovable property (if no other property): Market value minus personal debts[b] : exempted amount of 37 200 euro, and an additional exempted amount of 1250/2000 euro per year if sale of family home (depending on family situation). • Other immovable property: Market value minus personal debts. • Personal debts and exempted amounts are not subtracted if the property was donated. 100% of market value if full ownership, 40% if usufruct, 60% if bare owner. Ownership share taken into account when calculating market value.
Source:	Van Der Heyden & Van Mechelen (2017) POD MI (2018)	Van Der Heyden & Van Mechelen (2017) POD MI (2018)

[a] Insofar this amount does not surpass half of the first part of the equation. [b] Debts must be personal, (partly) repaid by the sale of the property and incurred before the sale.

3.2.2 Germany

Table 4 shows the asset tests applicable in the main minimum income scheme for the active age population in Germany (Arbeitlosengeld II) and for the elderly population (the Grundischerung im Alter und bei Erwerbsminderung). Arbeitlosengeld II (ALGII) was introduced during the Hartz IV reforms, and is designed to provide minimum income protection for those of active age who are able to work. In addition, there is still a general minimum income scheme for those of active age not covered by ALGII: Sozialhilfe. The asset tests of this benefit are similar to those applicable in the minimum income scheme for the elderly.

In all schemes, actual income from capital and property is taken into account. In addition, the German minimum income schemes assess all property in combination: in se, there is no different treatment of the value of immovable property, vehicles and financial assets. Rather, the total of all wealth combined is compared against a threshold. If the total value exceeds this threshold, the claimant is ineligible.

The actual threshold differs between the active age population and the elderly. Whereas it is maximum 10500 euro for the active age population (the allowance increases with age), it is 5000 euro per adult for the elderly, with an additional allowance of 500 euro if there are children present in the household.

There are some exceptions to this rule: certain asset types do not have to be included in the overall assessment of wealth. This is most notably the case for the reasonable family home, a reasonable vehicle and a number of other goods (see table 4). According to jurisprudence, a family home is considered to be reasonable if it is an apartment smaller than 80m² for a single or a couple, or a house smaller than 90m². Also on the reasonable vehicle jurisprudence exists. Here the value should be below 7500 euro.

Table 4. Asset tests in German minimum income schemes

	Arbeitlosengeld II	Grundsicherung im Alter und bei Erwerbsminderung (Similar for Sozialhilfe)
(income from) immovable property	Rental and leasing income, agriculture and forestry; Income from share ownership; In addition, property is also important to determine eligibility to the benefit. If all wealth holding (sum of immovable and movable property) is higher than the sum of certain allowances, the family becomes ineligible. Certain elements are exempt: A reasonable self-occupied house (According to the federal social court, a reasonable flat for a single or a couple is max. 80m², + 20 m² per additional person. A reasonable house starts at 90 m² for a single/couple, + 20m² per additional person) a reasonable car (according to jurisprudence with a value below €7500), vacant land up to 500/800m², items necessary for employment adequate household goods, certain assets and rights exempted from the pension insurance obligation, Assets for the prompt acquisition or for the receipt of an adequate property for handicapped or dependent persons, Things and rights whose exploitation is obviously uneconomical or would mean a particular hardship for the person concerned. The allowances are: A basic allowance of 750€ per year. Born before 1948: increase of 520 euro per year Born after 1948: increase of 150 euro per year However, this allowance is at minimum 3100 € per year. The maximum amount the allowance can reach is 33,800 euros for those born before 1948; 9,750 euros for those born between 1948 and 1958; 9,900 euros for those born between 1958 and 1963; and 10,050 euros are granted for those born after 1964. If the wealth of the household is greater than the permitted allowances, then the household loses its entitlement to this benefit. If the immediate realization of assets is not possible or the consumption or recovery would be particularly difficult, services may be provided as a loan. The loan can be made dependent on whether the right to a refund is guaranteed (eg with a mortgage) or otherwise.	Wealth allowances: €5000 per adult in the household, and €500 per child. If the wealth of the household is greater than the permitted allowances, then the household loses its entitlement to this benefit. A self-used house plot or apartment and promoted pension assets are excluded.
(income from) movable property	Actual income from capital is included in the income subtracted from the benefit.In addition, capital is important to determine eligibility to the benefit (see immovable property). One-off income (eg tax refunds, severance payments, inheritances); (taken into account the month it is gained, afterwards treated as capital)	See immovable property.
Source:	Kuypers et al. (2017) EUROMOD (2018) https://con.arbeitsagentur.de/prod/apok/ct/dam/download/documents/Merkblatt-ALGII_ba015397.pdf, http://www.hartziv.org/was-zaehlt-als-vermoegen.html	Kuypers et al. (2017) EUROMOD (2018) http://www.bmas.de/DE/Themen/Soziale-Sicherung/Sozialhilfe/grundsicherung-im-alter-und-bei-erwerbsminderung.html;jsessionid=6D68FFD2B54C5F895F87C017DD769929#a4

3.3 Illustration with model family simulations

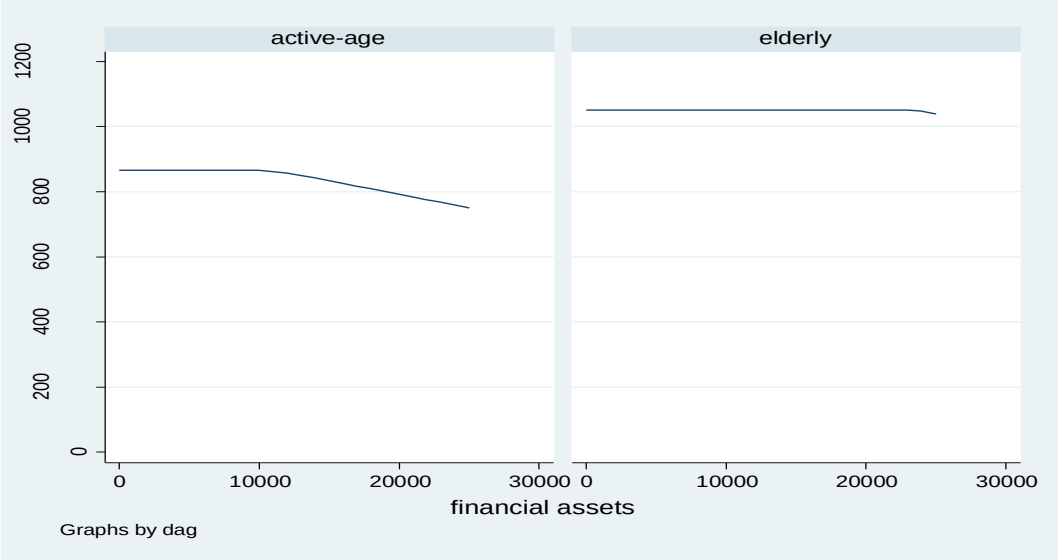
In sum, asset tests clearly differ in both countries. The most important difference is the clear-cut eligibility threshold in Germany relative to the tapering of benefits if assets surpass certain thresholds in Belgium. Also the distinction between immovable and movable assets is less of an issue in Germany, where in principle (bar from certain exemptions) the combined value of all assets together is assessed.

Below we illustrate what this means for a hypothetical single in Belgium and in Germany. We show the minimum income benefit an active age single will receive, depending on the amount of assets he or she possesses, assuming he or she has no income bar the minimum income benefit.

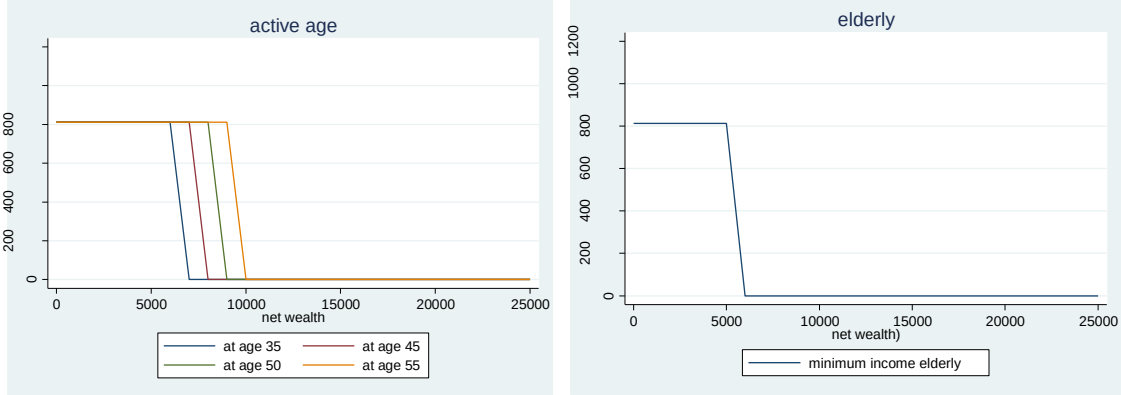
In figure 1, we show the impact of financial capital. In this case, the hypothetical person has savings ranging from 0 to 25 000 euro. It is clear that the different choice for an ineligibility threshold or a taper rate leads to very different profiles. In Belgium, the value of the benefit gradually declines. Moreover, the value only starts to decline later, and at a lower withdrawal rate in the case of the elderly. In principle, when there is no income whatsoever in the household, assets must be very sizable indeed in order to exclude someone completely from social assistance receipt. In Germany on the other hand (panel B of figure 1), benefits are withdrawn completely when the maximum wealth allowance is reached. Within the minimum income scheme for those of active age, the previously generous wealth allowance is faded out. This leads to an earlier withdrawal for younger persons, at a level comparable to the threshold for elderly.

Figure 1. Impact of financial capital on net disposable income of a hypothetical single, receiving minimum income protection

Panel A. Belgium

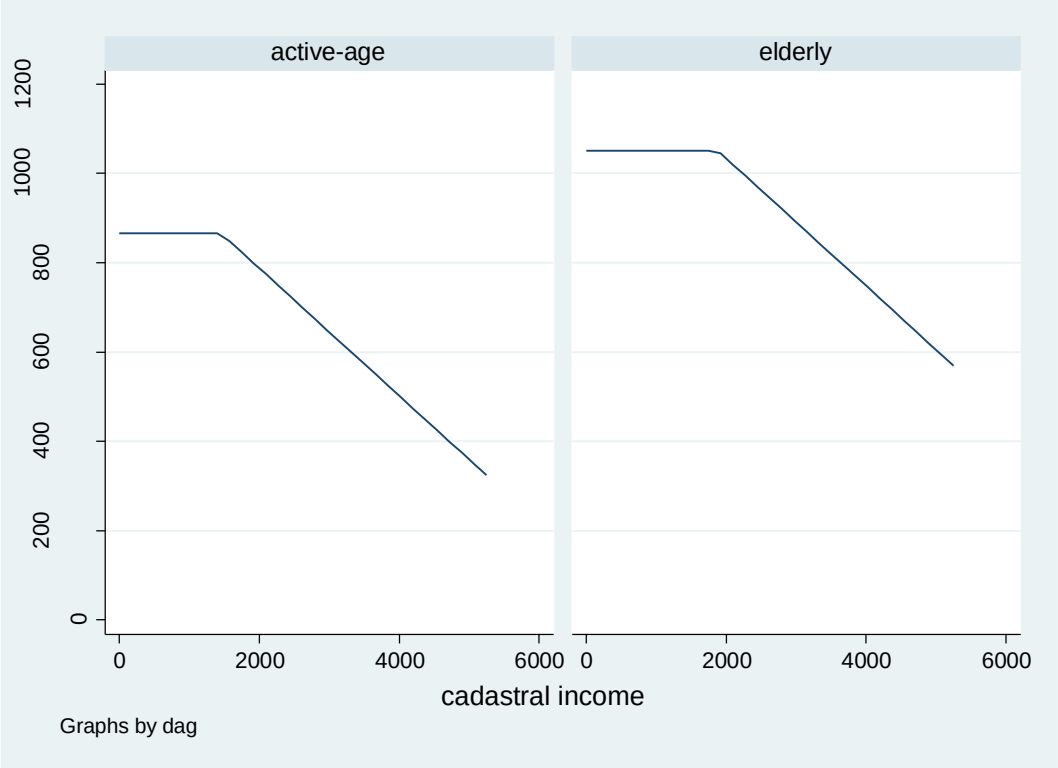


Panel B. Germany



In figure 2, we furthermore illustrate the differential treatment of movable and immovable property in Belgium. We show how the benefit is withdrawn at high level of cadastral income. Once again, cadastral income can be very sizeable before one is no longer eligible for the benefit. For Germany, the graphs would resemble the ones shown in panel B from figure 1, as effectively, all wealth combined is taken into account. As stated above, the value of the family home is excluded from the wealth assessment, if this home is considered reasonable.

Figure 2. Impact of home value on net disposable income of a hypothetical single, receiving minimum income protection in Belgium



4 Exploration of the relevance of asset tests using the HFCS

For our exploration of the relevance of asset test for eligibility and poverty outcomes, we use the HFCS data of 2009. These data on the one hand allow us to integrate wealth in the living standards concept and on the other hand to simulate asset tests in minimum income protection in a more satisfactory way than with the current underlying database used in microsimulation models.

4.1 HFCS data and EUROMOD

Initiatives such as the Luxembourg Wealth Study (LWS) and the Eurosystem Household Finance and Consumption Survey (HFCS) recently expanded research possibilities in the role of wealth and assets in social policy. The HFCS is a dataset covering detailed household wealth, gross income and consumption information (HFCN, 2013a). In the HFCS the concept of net worth is used as wealth measure, which is defined as the sum of financial and real assets less liabilities[3]. It is worth noting that entitlements to public and occupational pension plans and social security funds are excluded from the HFCS wealth concept.

The inclusion of the HFCS as an input dataset in EUROMOD, the European microsimulation model, has also expanded the possibilities for analysing social policies in a more refined way, as it provides more information on wealth than the current database underlying EUROMOD, which is the European Union Survey of Income and Living Conditions (EU-SILC), the standard database for poverty and inequality research in the European Union (EU). EUROMOD simulates cash benefit entitlements and direct tax and social insurance contribution liabilities on the basis of the tax-benefit rules in place and information available in the underlying datasets for all EU countries. Instruments which are not simulated (mainly contributory pensions), as well as market income, are taken directly from the data (Sutherland & Figari, 2013). As such, EUROMOD is of value in terms of assessing the first order effects of tax-benefit policies and in understanding how policy reforms may affect income distribution, work incentives and government budgets in the short term. Moreover, EUROMOD is built in a way that maximises its flexibility and possibility to simulate tax-benefit policies on different databases.

Incorporating the HFCS data in EUROMOD enhances empirical research possibilities in many ways. First, it allows analysing the joint distribution of disposable income and net wealth based on information from the same survey, potentially comparable across countries and time. As the HFCS contains only gross income amounts which are not suitable for distributive analysis, net incomes are simulated with EUROMOD taking into account all important details of the social security and personal income tax system. Second, policy analysis is enhanced in different ways, as the policy domains currently covered in EUROMOD will be expanded with dimensions like wealth taxation and asset building incentives, which recently gained much interest in the academic and the public debate (for more details on the integration of HFCS data in EUROMOD, see Kuypers et al., 2016).

For the analyses presented in this paper, we use the 2009 HFCS wave, with incomes uprated to 2017 with uprating indices for specific for different income sources. We used EUROMOD (policy year 2017) in order to simulate net income components from the gross income information in the HFCS. In addition, we

[3] Wealth and net worth are used interchangeably.

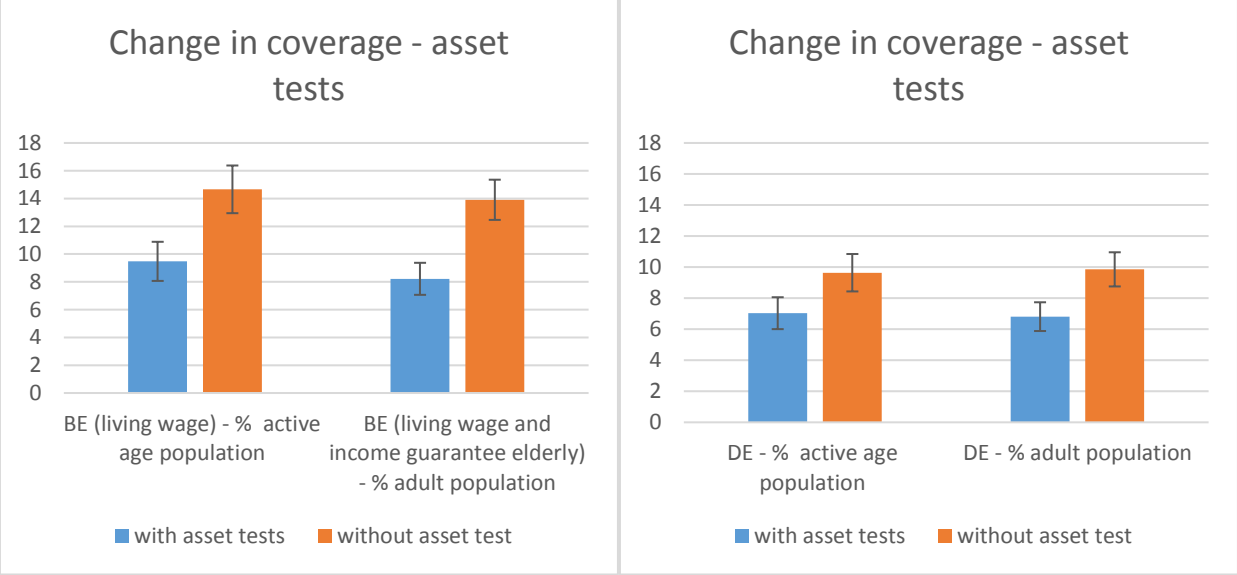
refined the minimum income protection policies programmed in EUROMOD in order to reflect the applicable asset tests in more detail. In addition, we simulated an alternative situation in which assets tests were abolished from the minimum income protection means-test. The asset tests and minimum income schemes included in the analyses are those discussed in the previous section.

4.2 Impact on coverage of social assistance

Figure 3 shows the change in coverage that follows from removing the assets test from the eligibility conditions. On the one hand we look at the impact for the active age population and the corresponding social assistance benefits, while on the other hand we show the impact on all adults, hence also including benefits for the elderly. Coverage rates increase significantly in both countries and the size of the increase in similar for both population groups. Interestingly, the increase is strongest in Belgium. This may come as a surprise, given that the asset test in Germany is seen as stricter than the one in Belgium. A probable explanation is the wider prevalence of wealth in Belgium as compared to Germany, implying that the asset test excludes more people in Belgium. In the remainder of the paper, we show results for the adult population, thus including the effect of asset tests for both elderly and non-elderly benefits. It is also noteworthy that the coverage rates for Belgium reported here are substantially higher than the administratively available recipiency rates. This is the case for a number of reasons. First of all, we decided not to take account of the non-take-up correction available in EUROMOD. Large part of the difference will therefore be due to issues of non-take-up. Second, the social assistance legislation in Belgium allows for a discretionary element in assessing eligibility. In particular, local welfare agencies are allowed to take account of income from parents or adult children (first order ascendants and adult descendants) if a member of a multigenerational household applies for a living wage, but they are not required to. Hence a more or less generous means-test is possible. In the future, we plan to repeat the analysis under the most stringent assumption, assuming that this is the situation that will most generally be applied by local welfare agencies.

Figure 3: Coverage rates for social assistance with and without asset tests, Belgium and Germany, 2017.

(a) Belgium (b) Germany



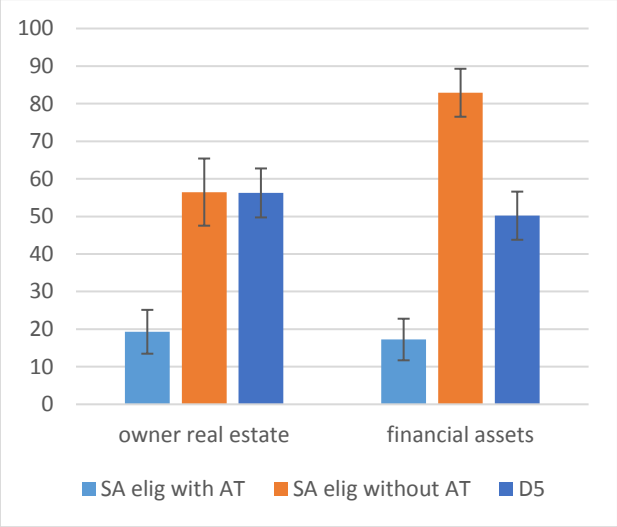
Source: own calculations on HFCS and EUROMOD.

We now analyse whether the profile of those eligible with and without assets are markedly different. We compare the group of those eligible with the asset test with the one that has become eligible after abolishing the asset test; both groups hence do not overlap. By way of comparison, we also include the values for the middle group in the income distribution, i.e. the fifth decile (D5). Figure 4 shows whether or not wealth is present among the eligible. As can be expected, those that are excluded because of the asset test have significantly more wealth than those that are eligible with the asset test, and this is the case for both countries (Panel 1, (a) and (b)). The effect of real estate is larger in Belgium than in Germany, which can be linked to the higher homeownership rate in the former country. Especially financial assets are more prevalent among those excluded due to the presence of assets. Interestingly, the share of households having financial assets is higher in the group that is eligible without asset test than it is among those situated in the middle of the income distribution (D5). Average wealth levels are also significantly higher among those excluded because of the asset test (Panel 2); they have even higher wealth levels on average than those in the middle of the income distribution.

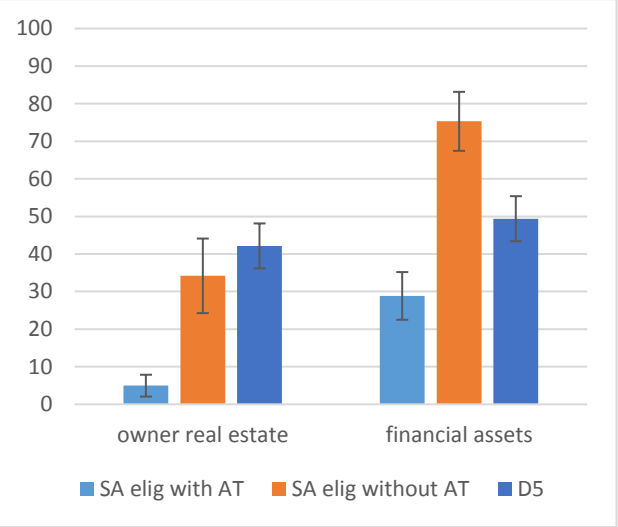
Figure 4: The presence of wealth (real estate and financial assets) among those who are eligible with asset tests, and those who are only eligible without asset-tests, Belgium and Germany, 2017.

Panel 1: Shares

(a) Belgium

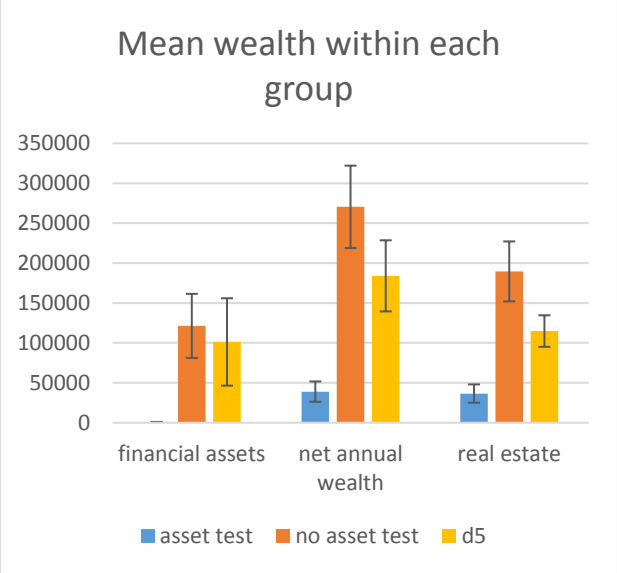


(b) Germany

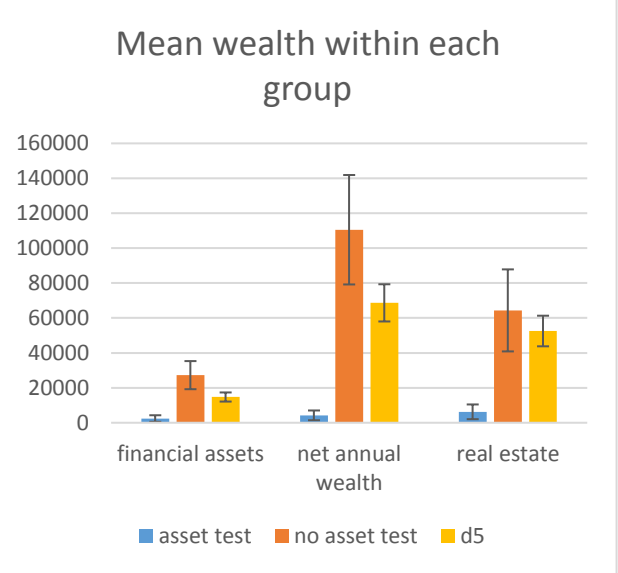


Panel 2: Mean wealth

(a) Belgium



(b) Germany

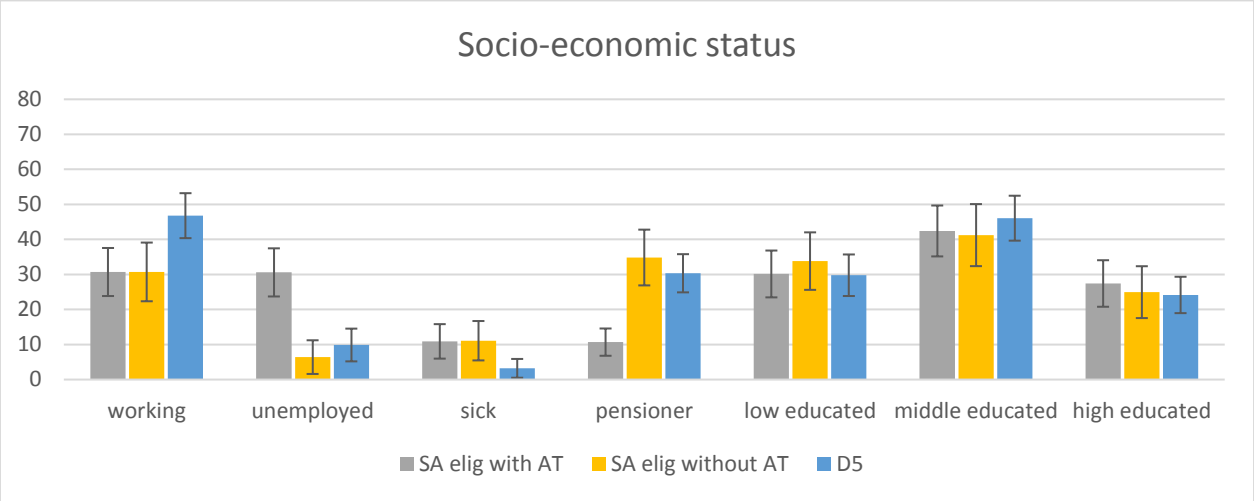


Source: own calculations on HFCS and EUROMOD.

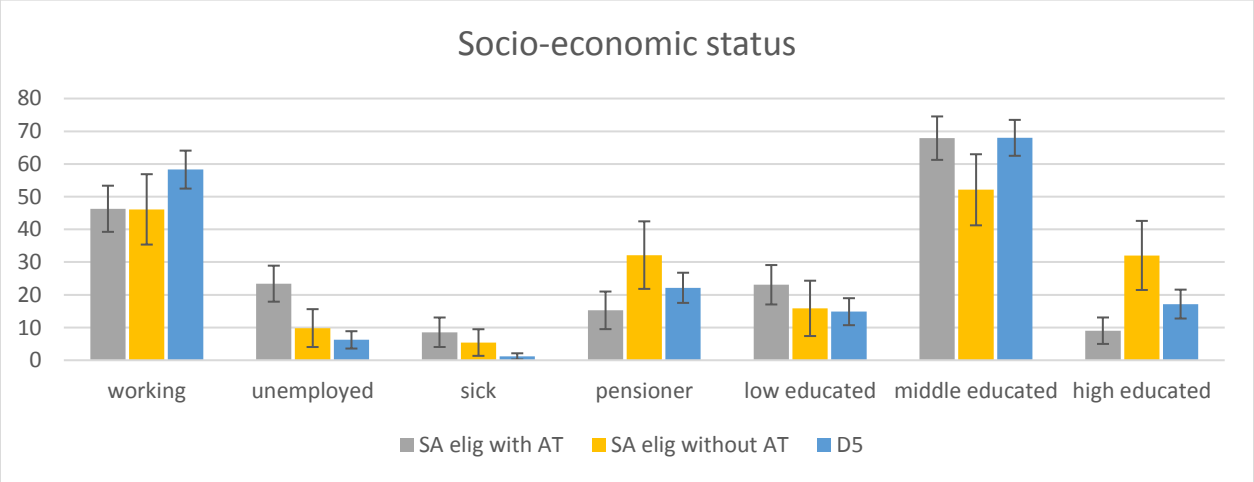
Figure 5 compares both groups according to indicators of socio-economic status. The share of working does not change significantly between those eligible with and without the asset test in both countries. The share of unemployed is significantly lower among those eligible without the asset test, while the reverse applies for pensioners. This is due to the higher wealth prevalence among the elderly. There is no significant difference according to education level in Belgium; in Germany, we only find a significant difference for the higher educated, who are significantly prevalent among those eligible for social assistance without an asset test; again, this indicates shows that the asset tests are able to capture those who are less vulnerable.

Figure 5: Socio-economic status among those who are eligible with asset tests, and those who are only eligible without asset-tests, Belgium and Germany, 2017.

(a) Belgium



(b) Germany



Note: AT: asset-test

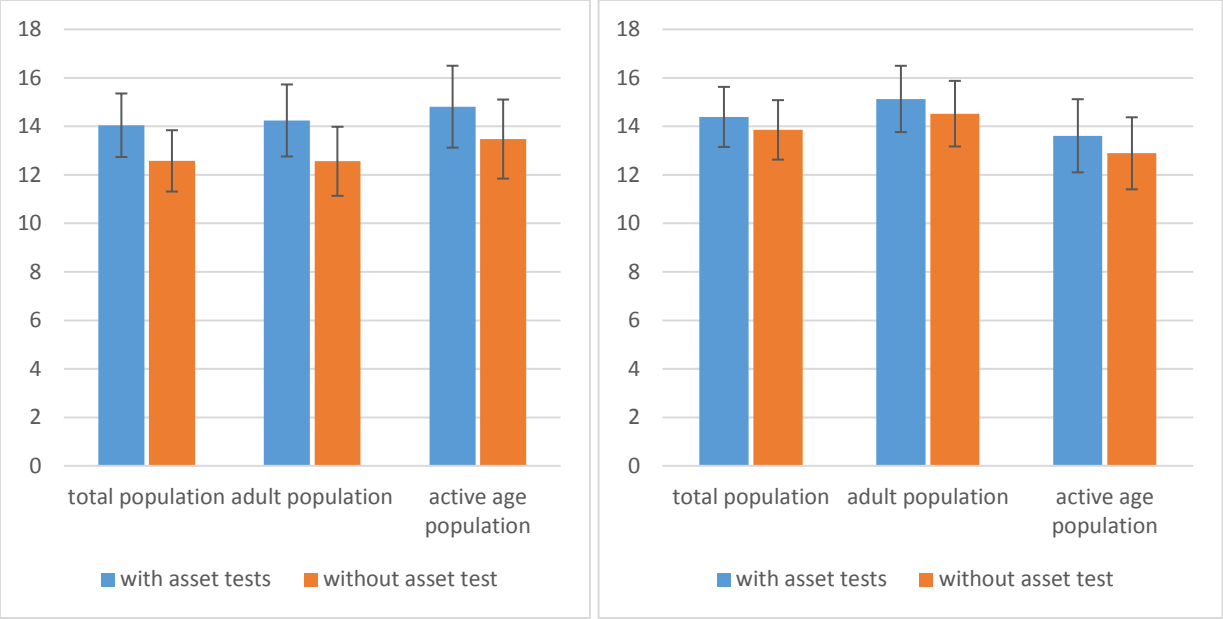
Source: own calculations on HFCS and EUROMOD.

4.3 Impact on poverty rates

We finally turn to the impact of asset tests on overall poverty rates. As Figure 6 shows, there is no significant difference in poverty rates when asset tests in social assistance become disabled This may be due to the small share of social assistance recipients in both countries, but requires further investigation.

Figure 6: Poverty rates, Belgium and Germany, 2017.

(a) Belgium (b) Germany



Note: due to the uprating, the poverty rates reported here differ from the poverty rates reported by Kuypers and Marx (2018), and shown in the second section of this paper.

Source: own calculations on HFCS and EUROMOD.

5 Discussion and next steps

This paper has looked at the role of asset tests in minimum income schemes in Europe, with a particular focus on two contrasting cases. We described the design of asset test in Germany and Belgium. In addition, we explored the effects of these asset tests on social assistance coverage and poverty rates, using the European micro-simulation model EUROMOD on the HFCS data.

This first exploration shows quite some variation in the principles behind and the actual design of asset tests in Europe, and more specifically, in Belgium and Germany. In addition, these first calculations indicate that asset tests do succeed in excluding the less vulnerable, without having a substantial impact on poverty rates. We want to stress that these results are tentative. Obvious refinements need to occur in order to validate these results. First, we plan to further refine the means-tests programmed in EUROMOD. We expect this to have some impact on the results found for Belgium, where the current coverage results are

far higher than expected based on administrative recipiency rates. Second, we want to assess more in-depth the profile of those excluded from minimum incomes based on the asset tests. Third, we want to assess the effectiveness of asset-tests not solely based on poverty rates, but by linking back to an assessment of the position of persons excluded from minimum income protection in the joint income wealth distribution.

Based on the first exploration in this paper, we see two interesting avenues for further research.

First, we want to look into how the underlying distribution of income and wealth impacts on the design of asset tests. Clearly, there are important differences in the underlying logic of asset tests in the European minimum income schemes. An interesting question is whether there asset tests relate to broader state attitudes when it comes to encouraging asset accumulation among their populations. We find such attitudes for example in housing policy or pensions policy. Home ownership has been actively encouraged in some countries and this remains the case until this day. In the Netherlands, tax 'expenditure' on homeownership in 2005 exceeded rent allowances, the main subsidy for tenants, by a factor of 5. For the Flemish region of Belgium, a distortion of the same magnitude is found (Dewilde, 2017). Homeownership subsidies tend to be skewed towards higher incomes but in some countries, like Ireland and Norway, forms of 'socialised homeownership' were established (for more details see Dewilde, 2017). Similarly, governments in some countries actively encourage households to accumulate pensions savings, be in collective second pillar arrangements or at the private level (third pillar). Tax breaks are the most widely used instrument but their magnitude and importance differs greatly. In some countries, pension provision rely almost entirely on state organized repartition.

One would expect these widely different state attitudes towards asset accumulation to be reflected in the way asset tests play a role in the allocation of minimum income benefits. It would appear contradictory to encourage both asset accumulation (as a partial protection against financial need, notably at old age) and to have severe assets tests in social benefits.

Second, we would like to assess in more detail how the effectiveness of asset tests is driven by the underlying distribution of income and wealth, and what would be the impact of making asset tests clearer, or redesign them in order to make them more automatic. To this end, we plan to bring in some of the more "clear-cut" asset test features from the German system, and assess what the impact would be on the Belgian distribution.

A final reflection of a more normative nature. What role should asset tests properly have? Policy makers seem to be facing something of a dilemma. On the one hand, for non-contributory minimum income protection to have support it is important that it is perceived to be supporting those in the most real and acute financial need, also taking account of assets. Yet at the same time a complementary social policy strategy combating exclusion in financial markets and supporting wealth accumulation among the poor would be able to address some of the worrying developments in European welfare states. Social minima, for instance, continue to erode relative to overall living standards and are often lower than the poverty threshold. In addition, being in work is no longer sufficient for guaranteeing non-poor living standards

(Lohmann& Marx, 2018). Employment relations are less stable with increasing incidences of non-standard employment.

Meanwhile, wealth has increased tremendously since the post-war period, among others due to newly emerging types of capital and increasing asset prices, giving rise to increasing wealth-to-income-ratios (Piketty & Zucman, 2014). This also has an impact on our social structure.

Being a capital owner has become an increasingly essential condition to be able to fully participate in society, and this is only likely to increase. Indeed, in the context of volatile and insecure labour markets, savings and assets increase long term financial stability by providing a buffer to face income and consumption shocks. Moreover, independently from income, assets also provide economic power, independence and an investment in ones future (Sherraden, 1991). And then there is population ageing. Many welfare states are facing rising pressures on public pension provision and have shifted from defined benefit to defined contribution pension plans. The role of wealth accumulation in general and private pension saving in particular will therefore become increasingly essential to ensure decent living standards after retirement.

In this light, the efficient and fair use of asset tests poses particular challenges. While fairness seems to dictate that asset holdings ought to matter for determining eligibility to non-contributory public support provisions (in cash or in kind), the reality of declining safety nets and old age provisions in many countries leaves people there with little alternative but to try and accumulate some assets. If people who are at risk of (near) poverty are actually discouraged from doing so to the fullest of their financial capability because of asset tests, they risk falling into a double poverty trap. They may well end up accumulating just too many assets so as to be excluded from public provisions while not actually having enough to make ends meet. The question of how asset tests in welfare provisions actually affect people's behavior arguable deserves to be higher on the research agenda than it currently is. That is especially important because, as we have shown here, such asset tests are often opaque and complex.

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7 Appendix

Table A1. Means-test for the living wage and the income guarantee for elderly in Belgium

	Living wage	IGO
Income from work	Net taxable income from work[a] of the previous month[b], including meal vouchers, holiday payments, severance pay, income from holiday work Exempt: • Socio-professional integration exemption of wage income of €244.03 per month (for a maximum of 3 years in a 6 year period; students with a scholarship: exemption of €68.06 per month) • Exemption of income from artistic activities of €2928.35 per year (for a maximum of 3 years) Reimbursement for the costs of commuting	Gross taxable income: 75% of gross annual wage for employees; 100% of net annual income for self-employed; 75% of real gross wage or of the fictional wage presented to tax authority for self-employed aid. Exempt: 5000 € annually
Replacement incomes	Net social benefits (UI, sickness, invalidity, work accident or work illness) Reimbursement after accident: only the part that reimburses for income loss, not the part that covers damages	Gross social Benefits (UI, sickness, invalidity, work accident or work illness) Gross annual amount of extralegal rents (old age rent and widowers rent) Gross annual alimony (treated as pension) 90% of gross annual pensions; 90% of annual pension bonus (holiday allowance and alimony paid is exempt)
(income from) immovable property	Cadastral income above exempt amount * 3 * share in ownership - annual amount of mortgage interest [c] If the property is rented, rent (* share in ownership) or cadastral income (calculated as described above) are taken into account, whichever is highest. Exempt amount of cadastral income: Built property: (€750 + €125 per child) * share in ownership Unbuilt property: 30 euro * share in ownership	Cadastral income above exempt amount * 3 * share in ownership - annual amount of mortgage interest [c] Exempt amount of cadastral income: Built property: €743,68 + €123,95 per child * share in ownership Unbuilt property (only if there is no built property): 29.75 euro * share in ownership
(income from) movable property	savings < 6200 euro: 0 € 6200 < savings < €12500: 6% of savings savings > €12500: included at 10%. In case of shared accounts: * 1/number of owners of the account. Savings include cash, savings accounts and other financial products, including private pension funds. An unexplained drop in movable property in five years prior of the claim, can be reclaimed from the children.	savings < 6200 euro: 0 € 6200 < savings < €18600: 4% of savings savings > €18600: included at 10%. In case of shared accounts: * 1/number of owners of the account. Savings include cash and non-cash savings, such as shares and (government) bonds.

income from sold (or donated) immovable property	if sold or donated in the past 10 years: Value is taken into account according to the rules of movable property (yet the values are not added to other movable property). The value to be taken into account is determined for • The family home (if no other built property) or a single unbuilt immovable property (if no other property): Market value minus personal debts[d] : exempted amount of 37 200 euro, and an additional exempted amount of 1250/2000/2500 euro per year (depending on family situation). • Other immovable property: Market value minus personal debts. • Personal debts are not subtracted if the property was donated. • 100% of market value if full ownership, 40% if usufruct, 60% if bare owner. Ownership share taken into account when calculating market value.	if sold or donated in the past 10 years: Value is taken into account according to the rules of movable property (yet the values are not added to other movable property). The value to be taken into account is determined for • The family home (if no other built property) or a single unbuilt immovable property (if no other property): Market value minus personal debts[d] : exempted amount of 37 200 euro, and an additional exempted amount of 1250/2000 euro per year if sale of family home (depending on family situation). • Other immovable property: Market value minus personal debts. • Personal debts and exempted amounts are not subtracted if the property was donated. • 100% of market value if full ownership, 40% if usufruct, 60% if bare owner. Ownership share taken into account when calculating market value.
exempted income sources	Child benefits Reimbursements for political mandates Regional housing premiums Alimony for children Part of the PWA voucher wages Student Scholarships Premiums for vocational training in a company (IBO) Regional premiums for sheltering children Irregular gifts without maintenance duty War- and war prisoner rents Reimbursement for supporting disabled persons The refundable tax credit Reimbursement for internship (if part of ALMP) Reimbursement for volunteering Reimbursement wardens of unaccompanied minors	Child benefits Living wage and other assistance benefits Personal assistance budgets for the disabled Alimony between ascendants and descendants, War- and war prisoner rents , Heating allowance (in employee system), Regional premiums for sheltering children, Rents from the prior mandatory capitalization system
lump-sum exemption on all income sources	• cohabiting person: €155/year; single person: €250/year ; head of family: €310/year • Income from partner up to € 7.077,88 per year (this is not the case if a family amount is asked) • Income from cohabiting children and parents at least up to €7.077,88 per year (the PCSW can use higher disregarded amounts)	625 euro per year for a cohabiting person 1000 euro per year for a single
Source:	excel file Linde, VVSG, handleiding RMI	excel file Linde, VVSG, handleiding RMI

[a] Reimbursement for minding children is included insofar the reimbursement surpasses the costs made for minding the child (PCSW decision). [b] Income is included for the moment to which it refers, not the moment of pay-out: it can be used to repay living wage paid at the moment of reference, or will otherwise be included in the means-test as movable property). Monthly income combined with annual disregards by multiplying monthly income * 12. [C] (insofar this amount does not surpass half of the first part of the equation) [d] Debts must be personal, (partly) repaid by the sale of the property and incurred before the sale.

Table A2. Means-test for minimum income protection in Germany

	Arbeitlosengeld II	Grundsicherung im Alter und bei Erwerbsminderung
Income from work	Market income, contributions and taxes are subtracted Benefits are unaffected by an additional (gross) employment income of 100 euros per month. Employment income between 101 and 1,000 euros reduces benefits at a rate of 80%, income between 1,000 and 1,200 euros at a rate of 90% (1,500 euros for households with children). Above this level, earnings are deducted at 100%.	market income from (self-)employment, contributions and taxes are subtracted Income allowance of: 30% of earned income, with a ceiling at 50% of the basic benefit rate From 1/1/2018 onwards: additional allowance for additional voluntary old age provisions: basic allowance of €100 per month, income from additional old-age provisions above this amount treated at the 30% rate (with a maximum of 50% of the grundsicherung benefit).
Replacement incomes	Insurance payments such as unemployment benefit, parental allowance or sick pay; Alimony Child benefits Pensions of every kind; Vocational training allowance, training allowance, BAföG.	most net benefits: pensions (also from private or company pension plans), child benefit, benefits under the Maintenance Advance Act.
(income from) immovable property	Rental and leasing income, agriculture and forestry; Income from share ownership; In addition, property is also important to determine eligibility to the benefit. If all wealth holding (sum of immovable and movable property) is higher than the sum of certain allowances, the family becomes ineligible. Certain elements are exempt: A reasonable self-occupied house (According to the federal social court, a reasonable flat for a single or a couple is max. 80m², + 20 m² per additional person. A reasonable house starts at 90 m² for a single/couple, + 20m² per additional person) a reasonable car (according to jurisprudence with a value below €7500), vacant land up to 500/800m², items necessary for employment adequate household goods, certain assets and rights exempted from the pension insurance obligation, Assets for the prompt acquisition or for the receipt of an adequate property for handicapped or dependent persons, Things and rights whose exploitation is obviously uneconomical or would mean a particular hardship for the person concerned. The allowances are: A basic allowance of 750€ per year. Born before 1948: increase of 520 euro per year Born after 1948: increase of 150 euro per year However, this allowance is at minimum 3100 €. The maximum amount the allowance can reach is 33,800 euros for those born before 1948; 9,750 euros for those born between 1948 and 1958; 9,900 euros for those born between 1958 and 1963; and 10,050 euros are granted for those born between 1964 and 1993. If the wealth of the household is greater than the permitted allowances, then the household loses its entitlement to this benefit. If the immediate realization of assets is not possible or the consumption or recovery would be particularly difficult, services may be provided as a loan. The loan can be made dependent on whether the right to a refund is guaranteed (eg with a mortgage) or otherwise.	Wealth allowances: €5000 per adult in the household, and €500 per child. If the wealth of the household is greater than the permitted allowances, then the household loses its entitlement to this benefit. A self-used house plot or apartment and promoted pension assets are excluded. Children can be deemed responsible to provide support if their income surpasses100000 euro per year

(income from) movable property	Capital and interest income is included in the income subtracted from the benefit. In addition, capital is important to determine eligibility to the benefit (see immovable property). One-off income (eg tax refunds, severance payments, inheritances); (taken into account the month it is gained, afterwards treated as capital)	See immovable property. Children can be deemed responsible to provide support if their income surpasses100000 euro per year
exempted income sources	basic pensions under the Federal Utility Act benefit for blind people care allowance for full time care of foster children special benefits such as emergency aid.	excluding unemployment benefits II, additional child benefit, housing benefits and disability benefits for war victims, the basic pension under the Federal Care Act, benefits with compensation character as well as child care benefits for mothers born before 1921.
Source:	Kuypers et al. (2017) EUROMOD (2018) https://con.arbeitsagentur.de/prod/apok/ct/dam/download/documents/Merkblatt-ALGII_ba015397.pdf, http://www.hartziv.org/was-zaehlt-als-vermoegen.html	Kuypers et al. (2017) EUROMOD (2018) http://www.bmas.de/DE/Themen/Soziale-Sicherung/Sozialhilfe/grundsicherung-im-alter-und-bei-erwerbsminderung.html;jsessionid=6D68FFD2B54C5F895F87C017DD769929#a4