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Asset Testing in Social Transfer and Welfare Programs in High-Income Countries: A Systematic Review

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Abstract

Asset tests are widely employed to ensure that welfare resources are targeted efficiently and equitably to people that do not have the resources to be self-sufficient. This paper looks at how asset testing in welfare programs works in the European Union and the United States and reviews the evidence on the consequences of asset testing for eligibility and behavior. For that purpose we follow the PRISMA guidelines for study selection and synthesis, systematically reviewing 22 peer-reviewed studies published between 2014 and 2024, covering the United States and European Union, to assess the impact of asset testing.
Our review finds that the real-world implementation of asset tests often undermines their stated goal of poverty reduction. While asset tests can improve targeting, they frequently discourage savings, perpetuate financial insecurity, and create administrative barriers that reduce participation among the most vulnerable. Hard thresholds incentivize dissaving and trap households in precariousness and long-term dependency, while administrative complexity often offsets any efficiency gains. Recent policy reforms-including higher thresholds, inflation-indexing, and asset exemptions-offer promising alternatives, but a persistent tension remains between targeting efficiency and poverty alleviation. We conclude that graduated approaches rather than straight disqualification better align welfare eligibility with the goals of financial resilience and poverty reduction.

Keywords: Asset Testing, Means-test, Poverty reduction, Welfare programs, Net Worth

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Introduction

Asset tests are widely employed to ensure that welfare resources are targeted efficiently and equitably to people that do not have the resources to be self-sufficient. This paper looks at how asset testing in welfare programs works in the European Union and the United States and reviews the evidence on the consequences of asset testing for program eligibility and household behaviors.

Our review of 22 studies (selected following PRISMA guidelines for study selection and synthesis) published between 2014 and 2024 focusing on policies in the United States and European Union shows that asset tests rarely achieve their stated goals of prioritizing support for those most in need. While they can, in principle, improve targeting, in practice they often discourage savings, raise administrative costs, weaken households' financial resilience, and introduce bureaucratic hurdles that reduce participation among those most in need.

Hard eligibility thresholds often create incentives for households to deplete assets in order to claim welfare program eligibility and by consequence foster long-term dependency, while the costs of verifying wealth frequently often outweigh efficiency gains. Reforms such as higher thresholds, inflation indexing, and targeted exemptions appear more effective, but the evidence points to a persistent tension between the desire to contain public spending and the objective of supporting households out of poverty.

Why Asset Testing Matters

As governments face growing pressure to optimize spending (Guillemette and Turner 2021, Johnston and Barta 2023), welfare agencies increasingly rely on targeting to ensure that limited resources reach those deemed most in need. In affluent countries, this has often taken the form of means testing, which determines household eligibility based on whether claimants have sufficient financial means to support themselves. While income tests assess current earnings, asset tests disqualify applicants whose assets or net worth (assets net of liabilities) exceeds a threshold. Although implementation varies across countries, studies suggest that asset testing tends to produce similar effects: while it may improve targeting in theory (Devereux et al. 2017), it often generates substantial unintended consequences (Kanbur 1987). Social programs can encourage self-insurance by allowing low-income households to accumulate savings buffers. At the same time, strict asset tests may penalize these efforts by tying eligibility to modest asset holdings. This can result in lower participation, distorted financial behavior (Powers 1998, Sprague and Black 2012), and persistent insecurity (Wellschmied 2021).

Yet asset tests are not only administrative tools. They also serve a political function. Welfare state policies are dependent on public support, and the perception that benefits might flow to households with substantial hidden wealth, such as those owning property while reporting low income, can erode that legitimacy. By imposing asset thresholds, governments signal fiscal discipline and reassure taxpayers that assistance is targeted to the "deserving poor." In Minimum Income Protection schemes, this resonates with their foundational principle of "needs based eligibility." Asset thresholds institutionalize the idea that benefits are reserved for those with "real need," reinforcing political legitimacy and taxpayer support.
This means that even when inefficient, such measures may therefore be indispensable for

sustaining the coalition behind social assistance[1] (Van Oorschot 2017; Attewell 2020). This "needs based approach" is also the reason why an MIP scheme is more politically feasible than universalist proposals such as Universal Basic Income. In this view, asset testing reflects less an effort to optimize outcomes than a compromise between competing imperatives: extending support to the needy while preserving public confidence that programs are not being abused.

Household Assets, Poverty Dynamics, and Self Insurance

Recent debates on wealth and social policy have focused overwhelmingly on the top of the distribution. Following the work of Piketty (2013), a large literature has examined trends in top wealth shares, capital accumulation, and the role of taxation in curbing inequality. This focus is rightly placed as the top 1 percent alone owns four times more wealth than the bottom 75 percent (Zucman, 2019). Yet this emphasis for the top has also left other segments of the distribution relatively understudied. This paper aims to discuss the social policy implications for people at the opposite end of the wealth distribution. For people with little to no wealth the link between wealth and social policy does not presently revolve around questions of redistribution through taxation, but rather how welfare program rules influence their ability to build assets and be eligible for support.

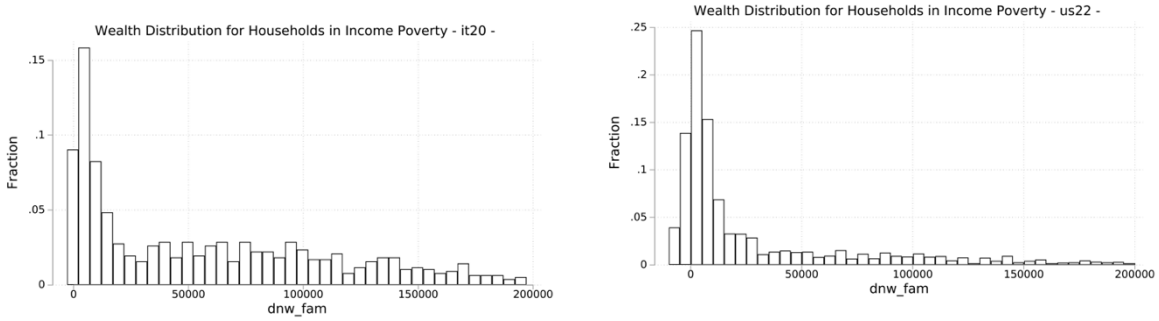
Moreover, while the study of poverty traditionally mainly focuses on income poverty, we are particularly curious about its intersection with asset poverty and how the two measures should be considered together. This is due to the fact that many households that would traditionally figure as income poor actually hold significant assets. In each of the most recent available datasets of the Luxembourg Wealth Study we find that (Table 1) the number of income poor but not asset poor households varies between 59.3% in the case of Italy in 2020 and 13.6% of Denmark in 2022. Moreover, by plotting the wealth of households in income poverty (Graph 1) we see that there are some example of notable wealth exceeding even one hundred thousand dollars in some cases.

Kuypers and Marx (2019) capture this nuance with the concept of triple precariousness, defined as the simultaneous presence of low income, low net wealth, and inadequate liquid assets to cover three months of consumption. Each group is found to have distinct traits, with young renters often being both income and asset poor, while older individuals may be income poor but asset rich. In Belgium, for instance, only 8.9% of households experience triple precariousness, yet they account for 91% of those who are both income and wealth poor, and nearly half (45%) of all income-poor households. This highlights how liquid assets can buffer hardship even among those with low income and wealth.

[1] Throughout this paper, "public assistance" refers broadly to all government support programs (closer to "welfare support" in EU usage, encompassing healthcare, education, pensions, unemployment benefits). "Social assistance" denotes the means-tested subset requiring demonstration of financial need; this term is used interchangeably with "welfare" in the U.S. context

Table 1: Exploring the link between income poverty and asset poverty[2]		
Country	Year	Income Poor[3] / Not Asset Poor[4]
US	2022	24.44%
UK	2019	45.43%
Italy	2020	59.30%
Germany	2017	46.61%
France	2020	33.60%
Finland	2019	36.35%
Denmark	2022	13.62%
Canada	2019	31.68%

Graph 1: Wealth Distributions of Households in Income Poverty US and Italy[5]



However, much of the wealth held by income-poor households is concentrated in illiquid assets, primarily owner-occupied housing. In many EU countries, real estate accounts for over half of household wealth, while in the United States it typically exceeds one-third (Pfeffer at al. 2021). Such assets are of limited use for buffering short-term consumption needs, and their distribution is strongly age-dependent with older individuals being more likely to be income poor but asset rich in housing, whereas younger households often lacking both high incomes and assets.

Yet even modest net wealth, regardless of liquidity, can provide an important buffer against disruptive life events such as job loss, divorce, or disability. Longitudinal evidence from the United States (Rodems and Pfeffer 2021) shows that the risk of entering material hardship following such shocks declines sharply across the wealth distribution, indicating that wealth functions as a form of private insurance. This capacity to self-insure reduces reliance on public assistance. However, when welfare eligibility is conditioned on low or no assets, this

[2] Data: Luxembourg Wealth Study Database using equivalized household disposable income and disposable net worth measure

[3] Income Poor = being below the 60 % of the national median equivalized disposable income after social transfers

[4] Not Asset Poor = total assets value is greater than 3 months of disposable income

[5] Data: Luxembourg Wealth Study Database using equivalized household disposable income and disposable net worth measures

protective buffer is effectively penalized. Strict asset tests may therefore raise long-term public costs: by forcing households to deplete savings to qualify, they increase the likelihood of program entry, prolong dependence on minimal benefits, and limit opportunities to rebuild financial resilience.

Asset Testing and the Life Cycle

The life cycle model of consumption and saving, first developed by Modigliani and Brumberg (1954), provides a foundational framework for understanding individual financial behavior over the course of life. In this model, individuals aim to smooth consumption by reallocating resources between high-earning and low-earning periods. Typically, individuals borrow or save very little in early adulthood, accumulate wealth during their prime working years, and then decumulate these assets in retirement. The model predicts a hump-shaped wealth profile over the life cycle, with assets peaking around retirement and declining thereafter as individuals dissave to finance consumption in old age (Modigliani, 1986; Deaton, 1992).

This life cycle perspective provides a useful lens for evaluating the role of asset testing in welfare programs. It suggests that asset tests may be most defensible when applied to older individuals who are in the decumulation phase of their financial lives and expected to rely on previously accumulated resources. For this group, asset testing can help target benefits to those who lack both income and sufficient assets to support themselves. As Kuypers and Marx (2021) show, asset poverty is more common among younger adults, while many older individuals hold at least some wealth, often in the form of housing. However, as we will see shortly, many major welfare programs continue to apply asset tests to working age adults, who are still in the accumulation phase. This creates a potential misalignment between program design and the incentives individuals face, with policies that may penalize saving, reduce financial resilience, and undermine long term self-reliance.

Towards a Systematic Review of Asset Testing

Ultimately, asset testing reshapes not only who receives assistance, but also how individuals manage their financial lives. By discouraging savings, distorting asset choices, and penalizing long term self-reliance, these policies may conflict with the core objectives of modern social protection systems. In light of these tensions, this paper systematically reviews recent evidence on asset testing in high income countries. While our primary focus is on asset testing in the European Union, we also draw on evidence from the United States, where the more extensive use of asset testing and high degree of subnational variation have produced a rich empirical literature. This broader perspective allows us to complement the EU discussion with insights from U.S. studies that test similar policy mechanisms in diverse institutional contexts.

By synthesizing findings from the past decade, we assess whether asset tests achieve their intended goals or inadvertently harm the populations they aim to serve. Our analysis focuses on their effects on equity, efficiency, and program participation, and explores implications for future policy design in modern welfare states.

How Asset Testing Works in Practice

Before reviewing the evidence on asset testing's effects, it is essential to understand the institutional frameworks that govern eligibility requirements. This section outlines how asset testing is currently implemented across welfare programs in the European Union and the United States, two regions that account for much of the empirical literature on means testing in affluent countries.

The Challenges of Asset Testing

Before proceeding into the study of current Asset Testing in welfare programs we believe it is important to mention the practical challenges that shape how these policies operate. Beyond deciding which types of assets should count, programs must grapple with the complexities of how assets are owned, valued, and reported. Many asset types, such as homes or vehicles, combine features of financial resources and essential consumption goods, raising questions about when and how they should affect eligibility. In some cases, assets are held jointly or inherited in ways that limit individual control, complicating their inclusion in means tests. Valuation is another key source of complexity. Even when asset types are clearly defined, estimating their worth through market prices, cadastral assessments, or imputed returns creates uncertainty and administrative burden. Liquidity also plays a role, as some assets are difficult to convert without incurring transaction costs or may not be accessible due to market or regulatory constraints. Finally, program rules vary in the timing of application. Some enforce asset limits at the start of a claim, while others apply them only after a certain period. Germany, for instance, introduced a one-year exemption period "Karenzzeit" under its Bürgergeld reform, during which assets up to €40,000 for the first person and €15,000 for each additional household member are not considered in eligibility assessments (Bruckmeier et al., 2025).The following section examines these operational challenges in greater detail.

The Four Key Characteristics of Asset Tests

Although asset testing regimes vary considerably between countries, their key points of divergence can be grouped into four guiding dimensions. First, programs differ in the assets under consideration meaning which assets count toward eligibility. Many exempt primary residences or vehicles, while including financial holdings and other physical assets. Second, valuation methods vary: some use market-price formulas or imputed returns, while others rely on periodic reassessments, especially for real estate. Third, the assessment unit (individual, household, or family) affects both eligibility and saving incentives, often interacting with household structure. Finally, asset tests differ in the approach to phasing out entitlements. Most impose hard "cliffs," disqualifying households once a fixed threshold is exceeded, while others taper benefits gradually, reducing the marginal penalty on additional savings.

The four dimensions outlined above offer a framework for both mapping institutional variation and interpreting the empirical effects of asset testing, which we explore in the systematic review. The following section presents major welfare programs in the United States and the European Union that apply asset tests, highlighting how countries differ across these four design choices.

Asset Testing in Affluent Countries

To map asset testing across the European Union and United States, we build on Marchal et al. (2021), who used the 2017 MISSOC database to classify rules in national Minimum Income Protection (MIP) schemes. We update this analysis using the 2023 MISSOC release (Table 2), adding new fields on household debt and incorporating data for Italy, Spain, and the Netherlands. As the United Kingdom is no longer covered in the MISSOC dataset we use it's most recent update which refers to July 1 2019. We also expand the scope to two additional domains, non-contributory old-age pensions (Table 3) and long-term care programs (Table 4), to capture how asset tests operate across core welfare areas in the EU. To enable structured comparison with the European cases, we also complement our analysis with an inventory of asset testing rules in overlapping programs in the United States (Table 5) by compiling data from official program manuals, federal guidance documents, and state-level policy reports.

Asset Testing in the European Union

Unlike the highly decentralized U.S. model, most EU Member States set asset-testing rules at the national level resulting in more standardized institutional frameworks within countries though important variation remain between countries. Previous work focused on assessing cross-country differences on asset requirements for minimum income benefits in the EU (Pacifico and Mroczka 2025) has helped to classify Member States into four main groups depending on their approach to Asset Testing in Minimum Income Protections: "The first group includes MSs with total asset value eligibility thresholds. The second group includes MSs that have asset-specific rules to determine eligibility. The third group converts assets to income amounts that affect benefit calculations. Finally, the fourth group employs a discretionary approach with asset realisation requirements, offering flexibility for individual circumstances but potentially introducing challenges of transparency and fairness." (OECD 2023, pg. 139). To further document this landscape, we use the 2023 edition of the MISSOC database, which tracks social protection policies across the EU. Building on the typology developed by Marchal et al. (2021), we classify countries by how they structure entitlement phase-outs (Table 2) and expand their framework to include two more dimensions: the types of assets considered in eligibility tests and the valuation methods used. These three axes help us identify patterns and points of divergence across Member States.

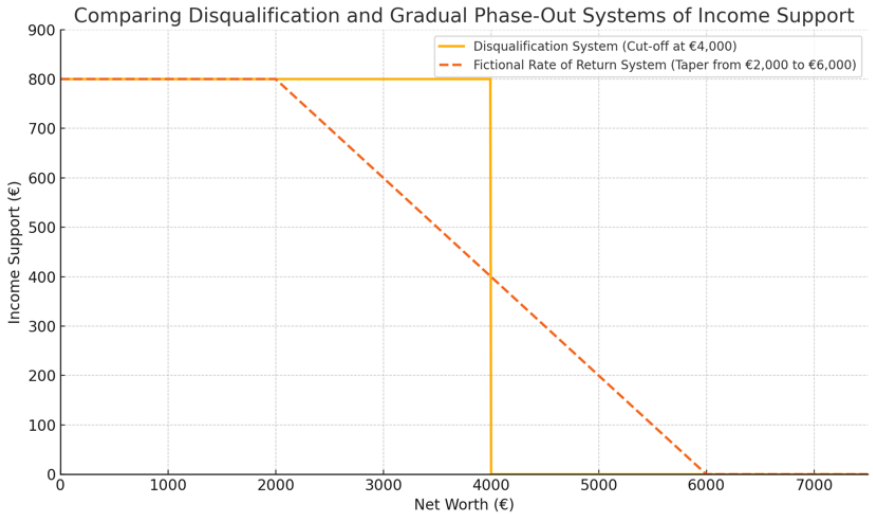
Asset Testing in Minimum Income Protections

Most rich countries have minimum income protection schemes that serves an ultimate safety net to protect against poverty, especially extreme poverty (Marchal and Marx, 2024). Unlike social insurance schemes where rights are accumulated through social contributions (usually levied on earned income), MIP schemes rest on the principles of need, compassion and solidarity. They are meant exclusively for people who have a real need for them. This need focused approach is essential for such schemes to guarantee political legitimacy and taxpayer support. For that reason minimum schemes are usually both income tested and asset tested.

We identify three broad approaches to phasing out benefits based on assets. In the disqualification model, used by countries such as Bulgaria, Greece, Croatia, and Portugal, households lose eligibility once their assets exceed a fixed ceiling. Other countries, including

Belgium, France, and the Netherlands, employ a fictional rate of return model, where a household's net worth is treated as if it could generate an annuity by applying a fixed rate of return, typically between 5 and 10 percent. This imputed income is then added to actual income for means-testing purposes. For example, in Belgium the first €6,000 in assets is disregarded. The next portion is assessed at 6 percent, or 4 percent for elderly individuals and assets above €12,000, or €18,000 for the elderly, are assessed at 10 percent. Graph 2 illustrates how both approaches affect support levels, with benefits tapering gradually in the fictional return model and ending abruptly under disqualification rules. A third group of countries, such as Austria, Germany, and Italy, uses mixed models that combine fixed asset ceilings with fictional returns, depending on asset type or applicant characteristics. These different models reflect distinct national preferences around targeting, savings incentives, and administrative complexity. The United Kingdom, as of the last MISSOC inclusion in 2019, also belonged to this mixed model group: most means-tested benefits exclude households with more than €18,000 in capital, while holdings above a lower disregard (€6,709, or €11,000 in the case of Pension Credit) are assumed to generate a "tariff income" of €1.12 per week for every €280 or €559 of assets, respectively, which is then added to actual income for the purpose of eligibility and benefit calculation.

Graph 2: Example of Disqualification and Fictional Rate of Return Phase-Outs for Minimum Income Protections



Countries also vary in how they value assets for MIP eligibility purposes. In fictional return systems like those in Belgium and France, programs impute income from asset holdings instead of relying on direct market values. Some countries, including Italy, France, Spain, and Belgium, use cadastral valuations based on regional tax records, especially for real property. For example, Belgium uses cadastral income to estimate returns on real estate, while France applies similar methods to specific asset categories. In contrast, countries like Germany and Italy tend to apply direct market values or regionally assessed tax records to estimate asset worth for means testing.

Countries also differ in which assets they include when applying MIP asset tests. Financial holdings such as bank deposits are typically counted, but treatment of physical assets like housing and vehicles varies widely. Most Member States exempt primary residences, particularly if modest in value or used as a permanent home. Vehicles represent an important asset category for low-wealth households, often ranking second only to housing in total value (Duque et al. 2018; Carney and Gale 2001). While vehicles are typically included in asset

tests, many EU Member States exempt them under specific conditions, such as when they are essential for employment, caregiving, or disability-related mobility. Some countries, including Ireland and Estonia, go further by fully disregarding vehicle ownership when these criteria are met. Exemptions also commonly apply to older or low-value vehicles.

A further point of divergence concerns the treatment of household debt. In most EU countries, asset tests are based on gross wealth, meaning that liabilities are not deducted from asset calculations. Only five of the 27 Member States explicitly account for debt, potentially disqualifying households with positive assets but significant liabilities.

Among the countries that do consider debt, many fall under the fictional return model. Belgium, for example, allows mortgage interest to be deducted from real estate asset values. Ireland offsets mortgage debt against the full value of the home, using net housing wealth in eligibility assessments. Luxembourg does not allow mortgage deductions but permits the registration of a statutory mortgage to ensure repayment of benefits. In the disqualification model, Finland counts mortgage interest as a housing cost, while Lithuania excludes mortgage offsets but counts received loans as assets.

A notable policy exception is Ireland's "Rent a Room Relief," which allows households to rent out a spare room and exclude up to €14,000 in rental income from means testing. Although formally an income rule, it is relevant to asset testing in fictional return systems, as it shields returns derived from the primary residence—an asset typically exempted in disqualification models. This provision illustrates the difficulty of categorizing real estate as either a consumption good or an investment vehicle. Slovakia presents another unusual case within the disqualification category. While most countries require households to spend down assets to qualify for assistance, Slovakia permits applicants to rent out property or other assets without triggering disqualification. Provided the resulting income stays below the applicable threshold. This effectively delays spend-down requirements while allowing for limited self-financing.

Table 2: Asset test characteristics in European minimum income protection schemes, 2023

		Immovable Property		Movable Property	Treatment of in-kind elements of movable property		
Country	**Type**	**Family Home**	**Real Property**	**Savings**	**Vehicle**	**Goods**	**Debts**
AT	Disqualification Asset Allowance of €6322 in 2023	Granting of benefits may be subject to registration of the claim of the social welfare authority after 3 years. Cadastral registration after benefit receipt of 6 months.	Needs to be sold	Included above exempt amount	Included, important exemption for work and disabilities	Exemptions for tools for work, satisfying cultural and intellectual needs as well as adequate household items	
BE	Fictional Rate of Return	Imputed rent is included as cadastral income with some exceptions					Mortgage interest can be deducted
BG	Disqualification	Exempt, if <= 1 room per family member	Disqualifies	Disqualifies		Exemptions	
CY	Disqualification	Exempt, if <300 m2	included if >€100k	Included, amounts above €5000 + €1000 for each dependent disqualify pensions savings under certain amount exempt	Included, exemptions	Included	

Table 2: Asset test characteristics in European minimum income protection schemes, 2023

		Immovable Property		Movable Property	Treatment of in-kind elements of movable property		
Country	**Type**	**Family Home**	**Real Property**	**Savings**	**Vehicle**	**Goods**	**Debts**
CZ	Disqualification	Exempt	Disqualifies (unless used for gainful activity) Rental income included	Included, limited exempted amount €410, pension savings under certain limit exempt	Included, important exemptions	Exemptions	
DE	Disqualification	Exempt if appropriate size	Included (some exemptions)	Included, certain state pension capital exempt, cash savings exempt up to 10k per household member	Included, important exemptions	Exemptions	
DK	Disqualification €1,343 excluded (€2685 for married couple)	Discretionary (exempt if required to maintain housing standard) Loan in equity to support family is considered	Included	Included, exempt amount, discretionary exemptions possible		Exemptions	
EE	Disqualification, discretionary must deem list of immovables and movables sufficient to cope	Subsistence benefit: discretionary must be reported Needs-based family benefit: excluded	Subsistence benefit: discretionary must be reported Needs-based family benefit: excluded	Included	Subsistence benefit: discretionary must be reported Needs-based family benefit: excluded	Exemptions	
EL	Disqualification Taxable values determined by the state	Total taxable value of real assets, may not exceed €90,000 for one person, €15,000 for each additional household member, overall threshold of €150,000		€14,400 exempt (€4,800 for single person household)	Excluded if value <€6000	List of disqualifying goods and services Exemption	
ES	Disqualification	Excluded	Included	Included			
FI	Disqualification, easily realizable movable assets are taken into account No formal threshold: some discretion may be used	Exempt mortgage interest counts as cost	Included, if not easily realizable time is allowed for sale support can be granted as a loan	Included		Exemptions	Debts are not taken into account, but the interest of mortgage of family home is considered as a housing cost and taken into account as such.
FR	Flat rate evaluation of the beneficiary's lifestyle in case of discrepancy between the latter and means declared. RSA: Household asset taken into account			Included	Included	Included	
HR	Disqualification Assets must be realized	Not mentioned	Disqualifies Value of one piece of property cannot exceed €2,305 or entire property cannot exceed €6,147	Included	Excluded <€2,654 exemptions Included in count of "property"		
HU	Disqualification	Exempt	Disqualifies <€2,305 one property <€6,147 whole property (lower than 2017)	Included, see limit real property	Included, important exemptions	Included	
IE	Fictional Rate of Return First €5,000 exempt	Exempt Rent a room relief, allows for rental of a room for a maximum of €14,000 per annum exempt	Included on notional basis (Value - Mortgage)	Amount higher than exempt €5,000 is included on notional basis (assessed in combination with real estate)	Excluded	Excluded	Off-sets any mortgages owed against properties owned (other than the family home).

Table 2: Asset test characteristics in European minimum income protection schemes, 2023

		Immovable Property		Movable Property	Treatment of in-kind elements of movable property		
Country	**Type**	**Family Home**	**Real Property**	**Savings**	**Vehicle**	**Goods**	**Debts**
IT	Disqualification	Social Allowance & GMI: Exempt	SA: Included GMI: Exempt up to €30,000	SA: Included GMI: excluded up to €6,000, exemptions based on family size	Included, exemptions		
LT	Disqualification	Assets value must be below the state established property value	Included	Included above €580	Included	List of disqualifying goods	received (unpaid) loans, with a total value exceeding €580 included exemptions
LU	Fictional Rate of Return	Included, converted into a life annuity according to multipliers laid down in law					Statutory mortgage may be registered to ensure benefits are subsequently paid back.
LV	Disqualification	Exempt up to certain size	Included	Included above €313 per first person and €219 for each next person	Included, exemptions	Exemptions	
MT	Disqualification <€14,000 individual, <€23,300 for households	Exempt	Summer residence excluded; rental property excluded but included in income test	Included	First car excluded		
PL	Not considered, unless fragrant disproportion between the level of income and material status						
PT	Mixed	Included at a fictional rate of return of 5% only if its value > exempt €229,000	If rent earned is less than 5% of net value of the real property it is taken into account, disqualifies if >€30.540	Disqualification if total asset above €122,000			
RO	Mixed	Exempt	Included	Disqualifies if savings above certain amount	Included if less than 10 years old	List of goods is updated yearly, net value of assets considered	
SE	Disqualification	Not immediately evaluated, might require sale	included	included	Included		
SI	Disqualification Properties and asset above €22,336 obligated to spend down	Exempt	Exempt, up to the value of an appropriate apartment set by law	Disqualifies if above €1396 for single and €2500 for family Certain amounts and pension savings are exempt, included	Included if value above €13000, exemptions	Exemptions	not taken into account
SK	Disqualification Recipients can be asked to sell or rent out properties and assets	Exempt	Included	Included	Included, exemptions >10 years old or >1 year old if for transport of disabled person Total value lower than €9410	Included	Not taken into account
NL	Disqualification	Exempt up to €64.100 Then assistance provided as a loan	Included	Included Asset shield for Total assets < €15000 for couple and <€7600 for single person	Included	Included	
UK	Mixed	Exempt	Included	Included	Included	Included	

While no EU Member State has shifted from one phase-out model to another since the 2017 MISSOC classification, recent evidence points to meaningful recalibrations within each group. With the addition of Italy, Spain, and the Netherlands, the disqualification category now includes 19 countries. Belgium, Ireland, and Luxembourg continue to apply fictional return models, while Malta, Portugal, and Romania maintain mixed systems.

Beneath these stable classifications, however, Member States have updated asset thresholds, exemption rules, and valuation practices. Germany now exempts up to €10,000 per household member, replacing its previous flat-rate cap of €40,000 in the first year of eligibility. Greece has raised its total asset ceiling to €150,000 and allows households to hold up to €14,400 in liquid savings without disqualification. Portugal ties its threshold to the Social Support Index (IAS), which is updated annually and stood at €509 in 2024. Other countries (including Croatia, Malta, Slovenia, and Latvia) have increased nominal limits, while Hungary's slight decline appears to reflect currency depreciation rather than policy tightening.

These adjustments suggest that while the structural logics of asset testing remain intact, many Member States are incrementally adjusting thresholds and valuation rules in response to economic pressures and evolving policy priorities.

Asset Testing for Old Age Provisions in the EU

Old age provisions are a core component of welfare states, designed to ensure income security and protect against poverty in later life, particularly as individuals withdraw from the labor market due to age or declining health. In Europe, these provisions are structured across multiple pillars, including contributory public pensions, occupational schemes, and voluntary private savings. This section focuses on non-contributory old-age pension schemes, which provide support to individuals with little or no entitlement from contributory systems. This is often due to irregular employment, unpaid care work, or periods spent outside the formal labor market. These schemes are typically tax-financed, residence-based, and offer flat-rate benefits unrelated to prior earnings. Because they function as a safety net, eligibility is often subject to means testing, and in several countries, to asset testing as well. While asset testing is not relevant to most pension schemes, it plays a decisive role in determining access to these non-contributory benefits. We examine how asset tests are applied across EU Member States and consider their implications for eligibility, adequacy, and equity in later life.

Using the MISSOC comparative social policy database, we identify seven EU Member States that apply some form of asset testing in their non-contributory old-age pension schemes: Belgium, Cyprus, Estonia, France, Denmark, Greece, and Spain. While asset testing in these programs is generally more limited in scope than in MIP schemes, it often follows similar design logic. As in the previous section, we organize our analysis around four dimensions: phase-out rules, valuation methods, asset inclusion, and treatment of liabilities.

Most countries apply a disqualification model, under which exceeding an asset threshold results in full loss of eligibility. This includes Greece, Cyprus, Denmark, and Estonia. France is the main exception, using a fictional return model that imputes income from past asset transfers: donations made within the last ten years are counted as income at rates of 3 percent (if within five years) or 1.5 percent (if older), which is then added to actual income and assessed against the threshold. This approach merges income and asset testing. Germany applies the same hybrid model used in its MIP scheme, combining thresholds with partial exemptions for specific asset types.

Most countries rely on administratively assessed values rather than direct market pricing. Belgium and France use cadastral income to estimate the value of real estate. Spain, by contrast, assesses asset value based on the income assets generate, such as rental income or capital gains, rather than valuing the asset itself. These approaches reflect differing assumptions about what constitutes usable or liquid wealth in old age.

Countries also diverge in the types of assets considered. France applies one of the broadest asset tests, including both real and movable assets, though the family home is explicitly exempted. In Cyprus and Greece, certain monetary assets, such as savings or small holdings, are excluded up to a fixed threshold. Estonia fully excludes real property from asset testing, while Germany exempts recognized retirement insurance products. These differences shape both the generosity of non-contributory pensions and the accessibility of support for older individuals with modest but non-liquid asset portfolios.

Table 3: Asset test characteristics in European Old Age (non-contributory pension) schemes (2023)

Country	Program Name	Asset Testing Measures
BE	Guarantee of income for elderly persons (GRAPA)	Non-indexed total cadastral income (RC) from buildings or land held in full ownership or usufruct is taken into account.
CY	New Scheme Supporting Pensioners With Low Income	Excludes monetary assets up to €100.000, including those held for the last 32 months
EE	Allowance for old-age pensioner living alone	Real property is not taken into account
FR	Solidarity Allowance for the Elderly	All real and movable assets are considered, including those donated in previous ten years preceding the claim. They are considered at 3% of the current value for real property and those donated within the 5 years prior to the application, and 1.5% for previous donations. Family home excluded.
DE	Basic income support for the elderly and for persons with reduced earning capacity	Same terms as the MIP but insurance contracts intended for old-age provisions are exempt if expressly funded as old-age provisions under German federal law
EL	Social solidarity allowance for uninsured elders	The objective value of the beneficiary's assets cannot exceed €90,000 for real estate property and €6000 for any kind of automobile
ES	Non Contributory old-age benefit	Assets are taken into account only through the income they generate: Total income from real property except habitual housing Total income derived from moveable assets Capital gains income taken into account

Asset Testing for Long-Term Care in the EU

Long term care (LTC) encompasses a broad range of services that support individuals, primarily older adults, who face chronic illness, disability, or limitations in daily functioning. These services, from home-based assistance to institutional nursing care, are delivered through healthcare, disability, and social assistance systems. In most European countries,

LTC is financed through a mix of contributory and non-contributory arrangements, with variation in benefit type (cash vs in kind), governance level, and eligibility criteria. In countries where LTC is delivered through tax financed or residence-based schemes, especially in-kind benefits like residential care, asset and income tests are sometimes used to determine cost sharing or eligibility. These assessments may include the income and assets of the applicant and, in some cases, cohabiting family members, often factoring in housing wealth even when illiquid. This can create tensions with life cycle expectations: individuals who save throughout their working lives may find their assets treated as a barrier just as their care needs increase. This section examines how asset tests are applied to LTC across EU Member States, with a focus on their interaction with housing wealth, liquidity constraints, and the balance between public cost containment and equitable access to care.

According to the 2023 MISSOC database (Table 4), ten EU Member States (Austria, Croatia, Cyprus, Estonia, Germany, Ireland, Lithuania, Portugal, Slovakia, and Spain) apply asset tests to long term care programs. As in other domains, the structure and implementation of these tests vary significantly across countries.

Countries differ in how asset thresholds affect eligibility and cost-sharing in long-term care programs. Six Member States (Lithuania, Spain, Slovakia, Portugal, Germany, and Estonia) apply a disqualification model that requires individuals to spend down their assets before qualifying for public LTC support. Each of these countries sets its own asset threshold and exemption rules, though detailed specifications are not always publicly available (Table 4). Cyprus aligns its LTC rules with those used in its Minimum Income Protection (MIP) program, which includes broad exemptions for certain asset types. Austria considers only the income generated from assets, not their capital value. Ireland employs a fictional return model, shielding up to €36,000 for individuals and €72,000 for couples; above these thresholds, beneficiaries contribute 80 percent of their income and 7.5 percent of their asset value annually toward care costs. This approach is similar to the one in the UK (2019) where in order to qualify for residential care people with assets (including the value of the family home) over €26,000 were disqualified from receiving financial state support to fund their own care. For people below this asset threshold the level and type of support is determined by income and health needs. Alongside these asset and income rules, the government also legislated for the introduction of a lifetime cap on personal care costs, setting an upper limit on what any individual would ever be required to contribute.

The only country in this sample for which the assessment unit is explicitly specified is Ireland, where thresholds differ for individuals and couples. This implies that household composition plays a role in eligibility and contribution levels. For the remaining countries, the assessment unit is not clearly reported in the available data.

Having examined how asset testing is structured across the European Union, where rules are typically set at the national level and applied in a relatively standardized manner, we now turn to the institutional landscape of the United States. Compared to the EU's more unified approach, asset testing in the US is marked by fragmentation across programs and significant variation in implementation at the state level.

Table 4: Asset test characteristics in European Long Term Care (LTC) schemes, 2023

Country	Program Name	Asset Testing
Austria	24-hour care	Not directly asset related but rather dependent on income received on a constant basis. This includes income generated by assets without having them be reduced.
Croatia	Allowance for assistance and care	Asset of single persons, families or household members are taken into account in the means test: Possession of second residence that can be sold or leased to finance assistance and care Income from assets is also taken into consideration Possession of a commercial property which can be used for a registered business
Cyprus		Relies on eligibility of the Guaranteed Minimum Income provisions so involves same requirements
Estonia		Considers immovable assets
Germany	Social assistance (Sozialhilfe):	Disqualification, assets must be used Exemptions: - adequate real estate - adequate housing equipment - state funded pension - small cash savings
Ireland	Nursing Home Support Scheme = Nursing Home Loan	Includes a 36,000 asset disregard for individuals and 72,000 for couple. Above this must contribute 80% of income and 7.5% of assets (up to total cost of care) per year which may be deferred and collected at later date (death or sale). After 3 years of care the principal residence is exempt. It also includes partial exemptions for when only one person in a couple enters a nursing home.
Lithuania	Residential long-term-care	There is an asset threshold above which 1% of exceeding assets are taken into account in means test
Portugal	National Network of integrated long-term care (RNCCI)	Social security eligibility of beneficiaries in medium and long stay wards, rehab wards, maintenance under the long-term integrated health care network is means tested. The value of the property of the recipient and his/her household must not exceed 122.160 (240x IAS)
Slovakia	Disqualification	Value of property, besides permanent home, included if exceeds 39,833
Spain	LTC	Disqualification if assets above a certain level
United Kingdom	Residential Care	Disqualification for people with assets (including the value of the family home above (€26,000). Level and type of state support for people with assets below this threshold depends on their needs and income.

Asset Testing in the United States

Overview of the United States Welfare Programs

Historically, the United States has made extensive use of asset testing to determine eligibility for welfare programs. Over the last 30 years, these rules have become increasingly complex and heterogeneous. Following the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996, responsibility for key welfare programs shifted from the federal government to individual states. This devolution has led to growing variation in asset testing rules, including which assets are counted, how they are valued, and

how benefits phase out. Our evidence show that asset eligibility criteria now vary more across U.S. states than across EU Member States.

Table 5: United States Welfare Program Overview

Program	Category	Description	Target	Benefits	Asset Limits Decisions
TANF (Temporary Assistance for Needy Families)	Minimum Income Protection Scheme	Provides temporary financial assistance and support services to help families achieve self-sufficiency. Assistance can include child care, job preparation, and work assistance.	Low-income families with dependent children.	Monetary	State-level
SNAP (Supplemental Nutrition Assistance Program)	Minimum Income Protection Scheme	Offers nutrition assistance by providing funds for food purchases, aiming to alleviate hunger and improve nutrition and health.	Low-income individuals and families.	Near-cash (food purchases)	Federal Asset Limit, States can raise or eliminate it
Medicaid	Other: Health Insurance/ Medical Assistance	Health insurance program offering medical benefits, covering services such as doctor visits, hospital stays, and long-term medical care.	Low income individuals and families, pregnant women, elderly, and disabled persons.	In-kind (medical services)	No asset tests in the 41 states that expanded Medicaid
LIHEAP (Low Income Home Energy Assistance Program)	Other: Utility/Energy Assistance	This program aims to support those in need to ensure the have safe and healthy living conditions through financial help with heating and cooling expenses.	Low-income households, particularly those with elderly or disabled family members and young children.	Both in-kind and monetary (heating aid)	State-level
SSI (Supplemental Security Income)	Other: Income Support for Elderly/Disabled	Provides financial assistance to individuals with limited income and resources.	Elderly, blind, or disabled individuals with limited income and assets	Monetary	Federal Asset Limit

As shown in Table 5, the United States applies asset testing to five major public assistance programs. Medicaid is the country's primary public health insurance program for low-income individuals and families. While asset tests historically applied to most applicants, the 2014 Affordable Care Act (ACA) allowed states to expand eligibility and eliminate asset testing for adults under 65. However, asset limits still apply to older adults and those seeking long-term care. TANF (Temporary Assistance for Needy Families) provides cash assistance to low-income families with dependent children, with asset thresholds determined by individual states. SNAP (Supplemental Nutrition Assistance Program), formerly known as food stamps, offers near-cash food support and has federal asset limits. However, many states waive these limits through a policy known as Broad-Based Categorical Eligibility (BBCE), which allows households receiving minimal TANF-funded services to automatically qualify for SNAP. SSI (Supplemental Security Income) is a federally administered cash benefit for elderly, blind, or disabled individuals with very low income and assets; it applies a nationally uniform asset limit of $2,000 for individuals and $3,000 for couples, unchanged since 1989. Lastly, LIHEAP (Low Income Home Energy Assistance Program) helps low-income households cover heating and energy costs. Asset-testing rules for LIHEAP are set by each state and vary widely in terms of exemptions and valuation methods.

Taken together, these five programs demonstrate how the design of asset testing in the U.S. diverges not only in degree but in kind. Across states and programs, there is wide variation in which assets are included, how they are valued, whether eligibility is assessed at the individual or household level, and how benefits are phased out. Some states offer generous exemptions and gradual tapers, while others impose low thresholds and hard disqualification cliffs. This intra-national heterogeneity stands in contrast to the EU, where asset-testing rules are typically standardized at the national level. To illustrate this variation, Table 6 presents federal guidelines alongside data from three diverse states, California, Missouri, and Texas, selected to reflect a spectrum of welfare generosity and administrative discretion. California exempts a broader range of assets and applies higher thresholds; Texas enforces stricter limits with narrow exemptions; and Missouri occupies a middle ground.

While Table 6 does not capture all four dimensions of asset test design, it provides concrete examples of how U.S. states diverge along two key axes: which assets are included or

exempted (such as vehicles and savings), and how those assets are valued or capped, particularly through fixed vehicle value thresholds. These comparisons underscore the role of state-level discretion in shaping access to benefits, even within federally supported programs

Table 6: Asset Tests in a Diverse Subset of US States 2024

	TANF		SNAP		SSI
Jurisdiction	Asset Limit for Recipients	Vehicle Limit	Asset Limit for Applicants and Recipients	Vehicle Limit	Asset Limit
Federal	Determined at State Level		$2,750 to $4,250	Excluded up to $4650	$2000 ($3000)
California	$10,211 ($15,317)	$25,483 per vehicle, exemptions	No limit (BBCE)	Excluded	
Missouri	$5,000	First Vehicle exempt, Second vehicle $1500	$2,750 to $4,250	Excluded	
Texas	$1,000	$22,500 for first vechicle, 8700 for each additional	$5000	At least one vehicle excluded	Determined at Federal Level

Data: CLASP[6], Welfare Rules Databook[7] and Food and Nutrition Services[8]

Table 6, compiled from data by the Center for Law and Social Policy (CLASP), illustrates how asset thresholds and vehicle exemptions vary across TANF and SNAP in three diverse states spanning the spectrum from more generous to less generous, comparatively speakingFor TANF, Texas applies the most restrictive asset ceiling at $1,000, compared to Missouri's $5,000 and California's flexible threshold, which ranges from $10,211 to $15,317 depending on household composition. Vehicle exemptions further illustrate divergence: California exempts up to $25,483 per vehicle, Missouri fully exempts the first vehicle, and Texas imposes valuation caps of $22,500 for the first vehicle and $8,500 for additional ones. SNAP asset limits show a different pattern: California eliminates the asset test entirely under BBCE, Texas retains a $5,000 cap, and Missouri's threshold ranges from $2,750 to $4,000 depending on household type. Both California and Missouri exclude vehicles entirely from SNAP calculations, while Texas exempts one vehicle. LIHEAP, which provides assistance with heating and energy costs, is governed entirely by state discretion; as of 2023, five states had introduced their own asset tests, illustrating the extent of variation even in programs with minimal federal constraint.

In contrast to this variation, Supplemental Security Income (SSI) imposes a uniform federal asset limit of $2,000 for individuals and $3,000 for couples. This threshold has remained unchanged since 1989, losing over 60% of its real value due to inflation. It also imposes a marriage penalty by not doubling the individual cap, thereby penalizing shared household arrangements.

The evidence compiled in this section shows that while asset testing plays a role in both U.S. and EU welfare systems, the institutional arrangements differ markedly. In the United States,

[6] https://www.clasp.org/publications/report/brief/eliminating-asset-limits-creating-savings-families-and-state-governments/

[7] https://www.acf.hhs.gov/opre/report/2021-welfare-rules-databook

[8] https://www.fns.usda.gov/snap/recipient/eligibility

asset tests are used across a broad set of means-tested programs with considerable variation across states and programs in terms of thresholds, exemptions, and valuation rules. This results in a fragmented system where rules are locally administered and often program-specific. By contrast, EU Member States tend to apply asset testing more selectively, primarily in MIP schemes, non-contributory pensions, and long-term care, and define rules at the national level within integrated social assistance frameworks. These contrasting models reflect two different approaches to structuring means-tested benefits in advanced welfare states: one decentralized and heterogeneous, the other centralized and programmatically cohesive.

What is the impact of asset testing? A systematic review

In the following section we carry out a systematic review of the scholarly evidence to better understand the true impact of asset testing on eligibility and financial behavior of recipient or potential recipients. A systematic review is a structured approach to identifying, selecting, and synthesizing existing research based on transparent and replicable criteria. This method is particularly well suited to the topic, given the institutional diversity of welfare systems and the variation in how asset tests are implemented and studied across countries and programs. The review focuses on empirical studies published between 2014 and 2024 that examine asset testing in high income countries. The search and screening process follows PRISMA guidelines and is described in detail below.

Design and search Strategy

We performed a systematic review following the Preferred Reporting Items for Systematic Reviews and Meta- Analysis (PRISMA) guidelines (Moher et al., 2009). In February 2024 we searched three databases, ProQuest, Scopus, and Web of Science for relevant articles, published after January 2014 and before February 2024, that contained the following search terms in the title or abstract.

1. [Net Wealth OR Assets OR Debts OR Liabilities OR Private Wealth OR Savings OR Social Insurance OR Housing]
2. [Poverty OR Poor OR Low Income OR Deprived OR Overindebted OR Financial Satisfaction OR Vulnerability OR Unemployment]
3. [Measurement OR Eligibility OR Asset Test]

The search results yielded 2529 records from SCOPUS, 818 records from Web of Science, and 784 records from Pro Quest for a total of 4131 identified records. Following this first search, we filtered out 3478 papers using the filters of each database. The criteria chosen for this selection were to include only papers that had been published in our intended timeframe, in English, and within the geographical scope of our study (we restrict our focus to high-income countries such as members of the European Union, the United States, and Canada). We then used a citation manager software to identify and remove 63 duplicates.

Screening and Inclusion/Exclusion Criteria

The resulting 588 papers were then screened manually by analyzing the content contained in their titles and abstracts. The process excluded a total of 320 papers. Of these, 130 were removed for the same reasons as the initial conditions before screening. This means we manually identified papers that the databases' search engines had not excluded on the

grounds of language, timeframe, or geographical scope. 180 further papers were removed because they did not have a sufficient mention of wealth, or its synonyms and a strong link to means testing. Finally, 4 papers were removed due to being previously unidentified duplicates. This left a total of 145 papers we sought for retrieval.

Data Extraction and Eligibility

We were not able to retrieve 16 reports which left a total of 129 papers subject to a full-text analysis. Following this full analysis we excluded an additional 79 papers due to an a lack of focus on the asset side of means testing, and 28 for having a focus on asset poverty but lacking any notions of welfare eligibility.

This left us with 22 studies we assessed in the review, whose conclusions we include in the following analysis.

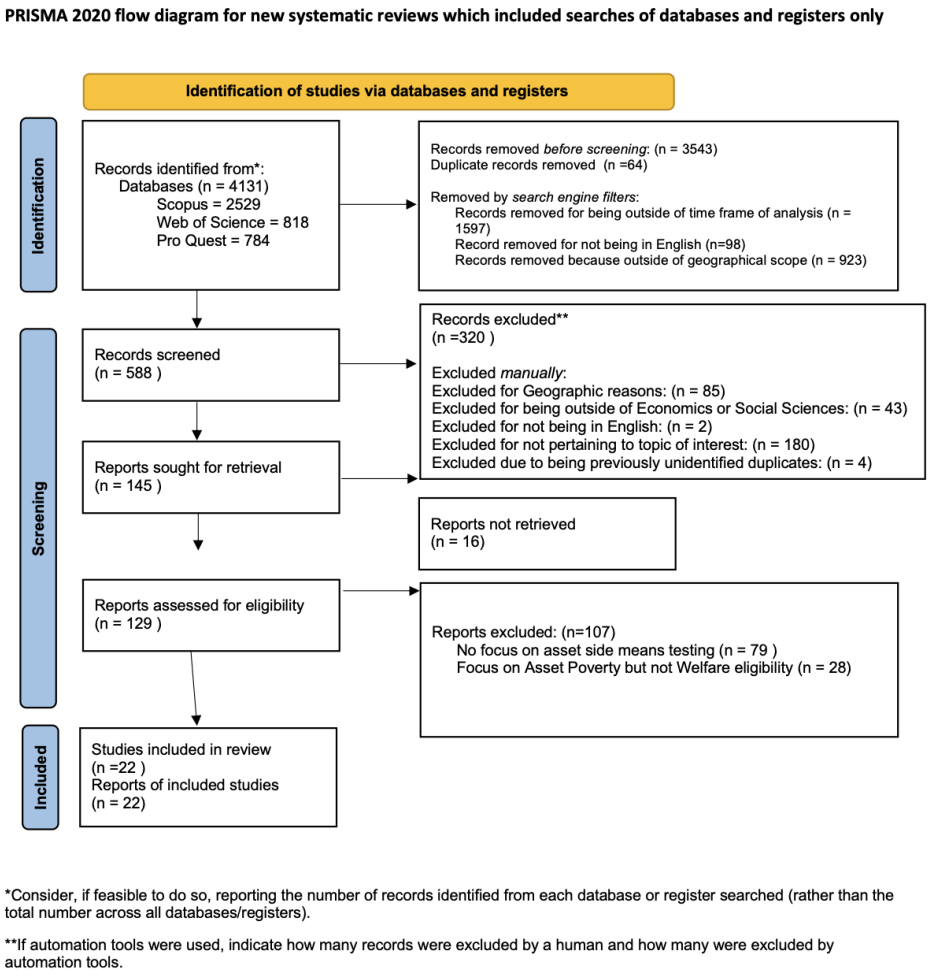


Fig 1. PRISMA Flow Diagram

Results of the Systematic Review

Included Literature

We include 22 papers that examine the role of assets-tests in regards to the eligibility and behavior of welfare recipients (Appendix 1). The majority (n = 18) focus on the United States, reflecting the country's policy diversity and extensive variation across states. A smaller set examines European Union Member States (n = 4)

The selected studies differ in how they investigate the relationship between assets, poverty, and program participation. The first group (n=6)) analyzes the effects of asset testing on program eligibility, with most studies focusing on reforms within the United States. The second group (n=15) examines the effects of changes in asset testing criteria. This section contains two main strands, the first evaluates the direct consequences of relaxing or removing asset tests for program eligibility and participation while the second examines the behavioral responses that follow from such policy changes. In addition, we discuss the inclusion of assets in poverty measurement frameworks (n = 1), and the design of policies intended to encourage asset accumulation among low-income households (n = 1). In what follows, we review the main findings of each group in turn.

Effects of Asset Testing on Program Eligibility

In the European Union, asset testing shapes eligibility in relatively standardized but still diverse ways. Marchal et al. (2021) classify EU Member States into two main models of asset testing within Minimum Income Protection (MIP) schemes. In the more common disqualification model, households lose eligibility once their assets exceed a fixed threshold. In the fictional rate of return model, assets are converted into an imputed income stream and added to the income test, reducing benefits without full exclusion. Both models influence eligibility in different ways: in Germany, disqualification rules improve targeting but generate higher unmet need, excluding roughly 25% of those who would otherwise qualify based on non-asset criteria, a reduction equal to about 2.9 percentage points of the active age population. When older age groups are included, the reduction rises to about 4 percentage points. In Belgium, fictional return rules reduce benefits but preserve broader eligibility, with only about 7% of active age beneficiaries excluded (a 0.6 percentage point decline), and 14% when elderly are included, or 1.2 percentage points overall. Compared to the U.S., asset testing in Europe plays a more modest role in policy debates, partly because stronger social safety nets reduce reliance on private savings (Alesina et al. 2001; Lemieux 2013). This relative invisibility is reflected in the Spanish case: Arranz-Muñoz et al. (2022) analyze universality in social protection and discuss income testing extensively, yet asset testing, though formally applied, is absent from the debate.

The United States, by contrast, exhibits growing complexity and variation in its asset-testing rules. This trend stems from the 1996 Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), which devolved decision-making authority from the federal government to individual states (Hamilton 2019). As a result, each of the 50 states now defines its own asset limits and exemptions for major programs such as TANF, SNAP, and Medicaid. Limits refer to the maximum level of assets a household may hold before becoming ineligible for support, while exemptions define which asset types are excluded from eligibility calculations. Although this variation can undermine the goals of equity and

consistency in social protection, it offers a valuable opportunity for researchers to study the effects of policy design. By exploiting cross-state differences, scholars can estimate the impact of specific asset rules on program take-up, household savings, and well-being.

Some evidence of the administrative burden associated with asset testing can be found in Gray (2018), who uses administrative data from the United States' Supplemental Nutrition Assistance Program (SNAP), commonly known as food stamps, and from unemployment insurance records to examine patterns of program retention. SNAP provides low-income households with monthly benefits delivered via an electronic debit card, which can be used exclusively for purchasing food items at approved retailers. These benefits cannot be used for non-food essentials like toiletries, rent, or transportation, distinguishing SNAP from unrestricted cash assistance. Gray finds that most SNAP participants leave within one year, not because their financial situation improves and causes them to phase out of eligibility, but because their benefits lapse at scheduled recertification deadlines. These deadlines involve submitting detailed documentation, which many households struggle to complete. Even after the introduction of case management tools in 2009 designed to simplify the renewal process, the exit rate among eligible households declined by only 10 percent. This suggests that retention is shaped less by changes in need than by the administrative barriers that discourage continued participation.

Escher and Banovic (2020) highlight a different kind of barrier to participation: flawed automated screening tools. Their study finds that online eligibility calculators for programs like SNAP and TANF, the Temporary Assistance for Needy Families program, often misclassify eligible households as ineligible, discouraging applications. TANF is a means-tested income support program for low-income families with dependent children that provides cash assistance along with services such as child care, job training, and employment support. Escher and Banovic show that automated tools used to pre-screen applicants often rely on oversimplified software logic that fails to capture the complexity of official rules. As a result, some qualified households are inadvertently excluded from support before they even begin the formal application process.

Asset tests also shape access to long term care in the United States, with important consequences for the wealth and health of older adults. Long term services and supports (LTSS) include both institutional care in nursing facilities and in-home assistance with daily activities such as bathing, dressing, eating, preparing meals, and managing medications. These services are expensive, with average costs in 2016 ranging from 82,000 to 92,000 US dollars for a one-year stay in a nursing facility, and around 46,000 dollars per year for home health services. Hest et al. (2022) examine how Medicaid eligibility for LTSS is affected by financial thresholds, including income limits, asset tests, and a separate home equity cap. The home equity threshold refers to the maximum allowable net value of an applicant's primary residence, typically calculated as the fair market value minus any outstanding mortgages. The most common threshold, used by 40 states, is 552,000 dollars, although some states allow up to 828,000 dollars. In certain cases, this test is waived if a dependent relative lives in the home or if the applicant intends to return. Although many states exempt the home itself from the asset test, other assets must be spent down for applicants to qualify, effectively requiring households to deplete their savings. Hest et al. simulate the cumulative effect of these rules and find that while nearly all older adults pass the home equity test, and just over half qualify when income is also considered, only 22 percent remain eligible once asset limits are applied. This suggests that the asset test serves as the most restrictive financial filter for Medicaid

LTSS eligibility, excluding many who would otherwise qualify based on income and housing wealth.

Taken together, this body of evidence shows that asset tests reduce program participation, often not by disqualifying households outright but through administrative complexity, confusion, and deterrents. These effects are most visible in the United States, where state-level variation allows researchers to observe how different thresholds, exemptions, and processes affect enrollment. The next section turns to a related but distinct concern: how asset testing influences household saving decisions, asset composition, and long term financial behavior.

Impact of Changing or Removing Asset Tests on Program Eligibility

Papers that study or simulate the consequences of a policy change regarding asset testing eligibility are also useful to help us understand the most ideal policy approach.

Cohen and Tavares (2023) find that asset tests play a relatively minor role in excluding low-income seniors from Medicaid, the U.S. program that provides health coverage to low-income adults, children, pregnant women, elderly individuals, and people with disabilities. The program is administered by states in accordance with federal requirements and funded jointly by state and federal governments. Using administrative data to evaluate Medicaid's financial eligibility rules, the authors estimate that raising the asset threshold from $2,000 for individuals or $3,000 for couples to $7,970 for individuals and $11,960 for couples, or eliminating the asset test altogether, would increase eligibility by 1.4 to 2 percent. This sizable effect reflects the fact that most low-income seniors already hold few assets. In 2021, the most common state income limit was 100 percent of the federal poverty line, or $1,073 per month. Given the limited filtering power of asset tests and the administrative burdens they impose, the authors argue that income restrictions, not asset limits, remain the primary barrier to access. As they conclude, "restrictions on allowable assets are not what are preventing vulnerable individuals from underserved communities from participating in the program; rather, income restrictions are the primary barrier" (p. 365).

Studies examining the removal of asset tests in the United States generally find that it increases program participation and reduces administrative burden. Graff and Pirog (2019), analyzing state-level differences in the Low-Income Home Energy Assistance Program (LIHEAP), show that asset tests are associated with significantly lower take-up among eligible households. Although average benefits per recipient rose in states with an asset test, the total number of assisted households declined, in part because many eligible applicants were deterred by the complexity and paperwork involved. Among income-eligible applicants, the removal of asset tests increased eligibility by 5.65 percentage points for those below the federal poverty line, compared to only 3.68 and 3.48 percentage points for higher-income groups. Importantly, the impact of asset tests is not evenly distributed: states without an asset test served a substantially larger share of extremely poor households. These results suggest that asset tests disproportionately exclude the poorest households, undermining the goal of equitable targeting. The authors recommend eliminating asset tests altogether and adjusting income thresholds instead to better reach those most in need.

Although our systematic review does not pick up any other studies of EU based reforms that removed or relaxed asset tests, Marchal et al. (2021) provide a counterfactual simulation of how eligibility would change if countries applied each other's rules. Their results show that

Germany's stricter disqualification model has a substantially larger exclusionary effect than Belgium's fictional return model, and that these differences also translate into higher poverty rates but improved efficiency in Germany, while effects in Belgium remain more modest. . This simulated comparison illustrates how even within the EU, institutional design choices can produce sharply different distributive outcomes. Because no Member State has recently removed asset tests in practice, most of the direct empirical evidence on reforms comes from the United States.

How Asset Testing Influences Households' Behavior

A growing body of evidence suggests that asset testing affects not only who qualifies for support, but also how individuals manage their financial lives in response to program rules. These behavioral responses include reducing savings, reallocating assets, and delaying accumulation to remain eligible. This section expands on the earlier discussion of eligibility by focusing on how asset tests influence long term financial decision making, especially among low income households. The studies reviewed here suggest that such behavioral distortions may undermine self sufficiency and create unintended disincentives to build economic security.

A recent study from Denmark (Johanessen et al. 2024) provides some of the first causal evidence of how asset testing depresses household savings. Using comprehensive administrative registers and high-frequency bank data, the authors show that the €15,000 liquid wealth ceiling for low-income elderly reduces liquid assets by around 20 percent, with clear "bunching" just below the threshold. This excess mass emerges following the introduction of the program and shifts discretely when the threshold is raised, indicating that the observed effects are structural rather than transitory. Importantly, this pattern underscores how asset tests function as an implicit tax on savings, discouraging the accumulation of precautionary buffers even within a generous welfare state.

Evidence from the United States shows that removing asset tests significantly alters the savings behavior of low-income households. Todd et al. (2019) examine changes in the Supplemental Nutrition Assistance Program, where many states eliminated asset limits through Broad-Based Categorical Eligibility, a policy that simplifies enrollment by linking SNAP eligibility to participation in other low-income programs. Following the reform the household in the analysis saw an increase in their liquid account balances of on average 21 percent, with stronger effects in metropolitan areas, where savings rose by 25 percent. Following the reform there was also a measured increase in the probability of owning a vehicle by 4 percent overall, with the largest gains observed in non-metro areas. Lee (2019) analyzes the 2014 Medicaid expansion, which removed asset tests for low-income, childless adults in participating states. Following the reform, average unearned income, which includes interest, dividends, and rental income, rose from 60 to 150 dollars per year among treated households. The likelihood of reporting any unearned income increased by 8 percentage points. These findings suggest that eliminating asset tests reduces the disincentives to save and report liquid assets, particularly among households previously constrained by eligibility rules.

Several studies examine the consequences of the 2014 Medicaid expansion, a provision of the Affordable Care Act that offered federal funding to extend public health coverage to low-income, childless adults. While some states accepted the expansion immediately, raising income thresholds and eliminating asset tests, others, primarily Republican-led, either

declined the funding or adopted the reform on a deferred basis. This variation across states created valuable heterogeneity for researchers to estimate the effects of the expansion on household financial behavior. Burns and Dague (2017) find that the removal of asset tests enabled individuals to increase both earnings and savings without jeopardizing their health coverage, as the reform allowed enrollment without undergoing federal disability review or meeting the strict income and asset limits of Supplemental Security Income, a cash benefit program for elderly or disabled individuals. They also report a 5 to 9 percent annual decline in SSI participation among this group, suggesting reduced reliance on more restrictive programs. Gallagher et al. (2019), using administrative tax and survey data, show that financially constrained households increased savings and debt repayment when Medicaid eligibility expanded removing asset tests, including a 5 percent increase in savings from tax refunds. In contrast, in states that retained asset tests, a higher simulated probability of eligibility for Medicaid was associated with a 2.2 percentage point reduction in the share of tax refunds saved, indicating that restrictive rules can offset the positive financial effects of eligibility. Finally, Shadowen et al. (2022) assess the longer-term implications of the expansion during the COVID-19 pandemic and find that previously eligible households in Virginia reported lower financial stress related to housing, food, credit, and medical expenses. However, because the original expansion combined income and asset eligibility changes, the specific contribution of asset rule removal is not isolated.

Janicki (2014) develops a dynamic general equilibrium model to evaluate how the removal of Medicaid asset tests under the 2010 Affordable Care Act (ACA) affected the labor supply and savings behavior of near-retirement workers. Medicaid, the primary means-tested insurance program for low-income individuals in the United States. Before the ACA, asset-based eligibility rules excluded many low-income adults from being eligible unless they qualified through disability or parental status. The ACA allowed states to expand Medicaid to childless, non-disabled adults regardless of assets, removing a key eligibility barrier. Janicki's key contribution is to explicitly model this asset test, which had been omitted in previous studies. She finds that removing the asset test significantly alters labor supply responses: high-productivity and high-wealth households near retirement are more likely to exit the labor force and forgo employer-based insurance, given increased financial security. In contrast to earlier models, the removal of the asset test drives much of the behavioral change. When the asset test is reintroduced in counterfactual simulations, these responses disappear, suggesting that asset testing plays a critical role in shaping both work and savings incentives among older adults.

Borella et al. (2018) analyze Medicaid recipiency among older adults using panel data from 1996 to 2012, a period that includes the 2010 policy change under the Affordable Care Act that relaxed Medicaid's asset eligibility rules for certain populations. Using multivariate regression, they find that permanent income has a strong negative effect on the likelihood of Medicaid participation, with each percentile increase associated with a 0.4 percentage point decline in recipiency. Lower levels of initial liquid and housing wealth also predict higher participation, consistent with existing asset limits. However, one of the study's most important findings concerns asset decumulation. While couples and singles in the bottom two-thirds of the permanent income distribution tend to draw down their assets as they age, those in the top income tercile exhibit little or no decumulation, even though a non-negligible fraction eventually receive Medicaid benefits. This raises equity and targeting concerns, as it suggests that wealthier older adults may retain significant assets while still qualifying for public assistance. At the same time, the dual role of health and financial need in determining

eligibility complicates efforts to isolate the specific contribution of asset holdings to program participation.

Ortigueira and Siassi (2022) develop a dynamic structural model to examine the financial behavior of lone mothers within the broader U.S. tax and transfer system. While the model includes the functioning of income and payroll taxes, as well as several income support mechanisms, asset testing applies only to the Temporary Assistance for Needy Families program and the Supplemental Nutrition Assistance Program. As a reminder, TANF is a minimum income protection scheme that provides cash assistance and support services to low-income families with dependent children. In many states, both TANF and SNAP impose strict two-thousand-dollar asset limits. The authors use their model to estimate that these hard thresholds would significantly distort savings decisions. For example, a lone mother with average labor productivity may be willing to give up as much as twelve thousand dollars in personal savings to remain eligible for benefits. In contrast, mothers with higher productivity would tend to retain their savings and forgo assistance. These results highlight how asset-tested programs can discourage wealth accumulation and lead to inefficient financial choices among low-income households.

Hamilton (2021) investigates the relationship between TANF asset limits, savings, and bank account ownership among low-income female-headed households during the Great Recession. The study finds that while wealth is positively associated with income and race, there is no significant relationship between asset accumulation or bank account ownership and the generosity of TANF asset limits. The author concludes that TANF rules are likely only one of many barriers to asset accumulation faced by low-income families, especially during periods of economic hardship. However, this result may also reflect the broader context of the Great Recession, during which asset accumulation was unlikely regardless of policy design. Moreover, the study applies a uniform national threshold for TANF generosity rather than accounting for variation across states. These limitations highlight the importance of analyzing asset test effects during periods of economic growth and with greater institutional precision.

As mentioned previously, asset testing can create a continuous dependence on social assistance. Hall et al. (2016) examine the impact of Medicaid asset limits on working age individuals with disabilities. They find that individuals just below the $2,000 asset threshold had significantly worse health outcomes than those above it, suggesting that some applicants may be deliberately limiting their wealth to maintain eligibility. The study highlights a “bunching” effect at the threshold, especially among younger adults, where incentives to stay below the limit may discourage earnings and investment. This behavior creates what the authors describe as a "savings trap," in which the marginal return to saving becomes strongly negative.

Finally, the presence of asset testing may also have consequences beyond household finances. Rochford et al. (2022) examine U.S. state-level childcare subsidy programs between 2012 and 2018 and find that states imposing asset tests when determining eligibility show significantly higher substantiated rates of child maltreatment for the forms considered in their analysis. In 2012, only 4% of states required an asset test; by 2018, this had risen sharply to 83.3%. Over the same period, the mean monthly income threshold for a family with three children to qualify for subsidies increased from about $2,921 to $3,245. The authors conclude that restricting eligibility through measures such as asset tests, lower income thresholds, or copays for families in poverty is associated with greater expected rates of substantiated child

maltreatment. As they note, public support programs are unlikely to reduce the risk of maltreatment if their administration forces families to retain the very economic insecurity those programs are intended to relieve.

Discussion

Synthesis and Implications

After having considered the results of the papers included in this review, we are now ready to highlight some key findings as well as identify existing gaps present in the current literature for what concerns the role of assets in poverty measurements. We first draw some conclusions from each of the previous sections and then proceed to present some key avenues for future research.

The evidence from studies focusing on the elimination of asset tests or increase of asset thresholds show positive effects on program participation (Gray 2018, Graff and Pirog 2019) and household's savings (Gallagher et al. 2019, Todd et al. 2019, Lee 2019). It also shows a decreasing reliance on other welfare services (Burns and Dague, 2017) and a reduction in households' financial concerns (Shadowen et al. 2023). Surprisingly, these advantages also do not seem to come at the cost of higher program spending which would seem like a natural response following an alleviation of requirements to access welfare programs. The reason behind this lack of spending increases seems to be due to the fact that income thresholds remain an effective constraint in the access of welfare programs while at the same time public administrations incur significant savings by redirecting administrative costs linked to issuing asset tests to support measures (Graff and Pirog, 2019). Since most asset poor households are also low-income, asset testing is seen as having a lower importance for what regards households' exclusion from welfare policies (Cohen and Tavares 2023) compared to income restrictions, which remain a "primary barrier". Changes which involve relaxing or eliminating asset testing also help eliminate saving traps and recipients' long term dependency on assistance (Hall et al. 2016). Due to the predominance of hard thresholds, households go to great lengths to retain eligibility, including dissaving up to $12,000 to continue qualifying for benefits (Ortigueira and Siassi). They also respond positively to rising asset thresholds by increasing their savings (Todd et al. 2019, Lee 2019).

Issuing a definitive judgment on whether asset testing should be eliminated, or even significantly reformed, is far from straightforward. Much depends on how we interpret the effective purpose of these policies: are asset tests primarily a tool to ensure that limited public resources are directed toward those most in need, or are they instead designed as cost-containment measures aimed at restricting access to social benefits? While our review highlights the significant barriers created by opaque rules and complex eligibility criteria which can deter eligible individuals from applying (Escher and Banovic, 2020) and impose regressive conditions (Borella et al., 2018), the political economy dimension of asset testing remains largely unexamined in the literature. Even if asset tests appear inefficient or inequitable on technical grounds, they may persist because they fulfill a legitimizing function: signaling fiscal discipline to skeptical voters or acting as a political compromise to secure broader support for social spending. In this sense, asset testing may be less about optimizing program outcomes and more about navigating the constraints of political feasibility. Take the example of MIP schemes . Public support for such schemes, essential as it is, crucially hinges on the perception that they serve the needy and only the needy. Even if

a numerically insignificant fraction of social assistance recipients were found to live in mansions, despite having low incomes (as can be the case), the political backlash can be detrimental for the entire sustainability of the program. The news media, after all, do not thrive on representative stories but on sensational exceptions.

An added difficulty regarding issuing a sweeping judgement of asset testing is due to the high degree of variability of rules and exemptions that determine eligibility of individual programs, hurting the external validity of papers included in this review. Particularly in the case of the United States, where we see such strong heterogeneity in states' policies it would be valuable to simulate the overall removal of all state-level asset policies and replacement with a federal standard.

Implications for Policy

If we prefer to try and fix current asset testing rather than abandoning these policies all together the most important goal should be the elimination of saving traps. Several papers included in this review underline the issues that come with the presence of hard thresholds. By replacing straight disqualification with a "soft threshold" approach, meaning a gradual phase out of support as assets increase, it would be possible to support low wealth households while incentivizing asset building. This would eliminate the counterproductive phenomenon of households dissaving or accumulating only the types of assets that are shielded from being considered in asset testing, which often represent the less liquid and efficient types of buffers from economic shocks. However the combination of a double soft threshold for both income and asset tests might be difficult to translate into a reasonable policy design. A strong alternative might be to just significantly raise asset tests as we are seeing happen in some EU and US countries to allow for sufficient wealth accumulation and the creation of asset buffers while maintaining the political legitimacy that wealthy individuals are not able to access this aid just because they have low incomes.

Returning to the life cycle hypothesis, the current set up of asset testing damages an important part of people's lives, namely the accumulation phase, when households should be encouraged to build up assets that can later finance spending in their old age after labor market activity ends. By discouraging liquid savings, asset tests risk weakening the very precautionary buffers that help households cope with unexpected shocks and smooth consumption across different stages of the life cycle. At the same time, because housing and real estate are often exempted from asset tests, these policies incentivize households to concentrate wealth in illiquid forms that are valuable in the long run but difficult to mobilize in the face of temporary shocks such as unemployment or health expenditures.

Moreover, asset testing stands in tension with recent proposals to expand wealth building in forms other than housing. One example is "baby bonds," publicly funded child trust accounts that target children from low-wealth or low-income families (Brown et al. 2023). Comparable initiatives include Atkinson's (2015) proposal for a universal capital endowment at adulthood and Ackerman and Alstott's (1999) stakeholder society, both of which aim to provide households with liquid and flexible assets. Yet the logic of such policies is difficult to reconcile with asset testing, which reduces the returns to saving and risks locking households into persistent insecurity. Policymakers should therefore remain alert to the asset traps created by strict thresholds, which can incentivize families to deliberately limit their savings to preserve eligibility for social assistance.

Future research should focus on evaluating the efficiency of current asset testing practices and exploring potential policy modifications to enhance their effectiveness. Specifically, simulating the effects of raising or removing asset thresholds could provide valuable insights into the equity and efficiency of current policies. Additionally, examining the impact of updating long-standing asset limits, such as those for SSI (last changed in 1989), or transitioning from a nominal threshold to a relative one, would offer further understanding of potential improvements.

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Appendix

Authors	**Focus**	**Year**	**Geographical Setting**	**Study Design**	**Population**
Johannesen et al.	Consequence of Eligibility Changes	2024	Denmark	Causal Study of Policy Change	Administrative Data of Elderly
Cohen and Tavares	Consequences of Eligibility Changes	2023	USA	Policy Simulation	Low income elderly
Rochford et al	Impact of Asset Testing	2022	USA	Generalized Estimating Equations	Families with Children
Ortigueira and Siassi	Impact of Asset Testing	2020	USA	Modeling	Non-college educated workers with children
Shadowen et al.	Consequences of Eligibility Changes	2022	USA	Regressions	Households
Arranz-Muñoz et al.	Poverty Measurement Techniques	2022	Spain, EU	Eligibility measures and synthetic index	Households in Spain
Hest et al.	Impact of Asset Testing	2022	USA	Policy Simulation	Low income elderly
Marchal et al.	Impact of Asset Testing	2021	Germany and Belgium, EU	Microsimulation	Households in Germany and Belgium
Leah Hamilton	Impact of Asset Testing	2021	USA	Difference-in-difference	Low income households
Marchal et al.	Consequences of Eligibility Changes	2020	Germany and Belgium, EU	Microsimulation	Households
Escher and Banovic	Impact of Asset Testing	2019	USA	Microsimulation	Households interested in applying for government benefits
Todd et al.	Consequences of Eligibility Changes	2019	USA	Regressions	Households headed by working-age adults with low education
Daeyoung Lee	Consequences of Eligibility Changes	2019	USA	Difference-in-difference	Low income childless households (25-55)
Hamilton et al.	Consequences of Eligibility Changes	2019	USA	Review	Papers discussing Role of Public Assistance Asset-Limits

Hamilton et al.	Reasons for Eligibility Changes	2019	USA	Multiple regressions	Households
Graff and Pirof	Impact of Asset Testing	2019	USA	Difference-in-difference	Low income households
Gallagher et al.	Consequences of Eligibility Changes	2019	USA	Regressions	low-income adults
Borella et al.	Consequences of Eligibility Changes	2018	USA	Multivariate Regression	Elderly citizens
Burns and Dague	Consequences of Eligibility Changes	2017	USA	Difference-in-difference	Adults with disabilities
Hall et al.	Asset Building	2016	USA	Regressions	Adults with disabilities
Janicki	Impact of Asset Testing	2014	USA	Modeling	Uninsured households
Gray	Impact of Asset Testing	2018	USA	Regressions	Low income households

Appendix 1: Details of Papers Included in Review