ASSET BUILDING, THE HISTORY OF AFI, AND HOW AFI AND ASSET BUILDING FIT INTO THE BROADER FIELD OF PROGRAMS AND POLICIES THAT ADDRESS POVERTY…

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Overview

- Why Assets?
- Trends in Asset Ownership
- History of AFI
- How Asset Building Fits into Broader Field of Anti-Poverty policy and programs

What Do We Mean By "Assets"?

- Traditionally:
  - Bank accounts
  - Savings
  - Real estate
  - Businesses
  - Education
  - Investments
  - Other property
- But also…
  - Access to quality financial services
  - Financial education and "savvy"
  - Good credit
  - Social capital

Why Assets?

- **Income alone does not create financial security.**

"With income we get by, but with financial assets we get ahead."

--Ray Boshara, New America Foundation

"Few people have ever spent their way out of poverty. Those who escape do so through saving and investing for the long-term."

--Michael Sherraden, Center for Social Development, Washington University

Why Assets?

- Income alone is insufficient to create financial stability –
  - Over half (56%) of black children whose parents were *solidly middle income* fall into the bottom third of the income distribution as adults, compared to 30% of whites (DeLeire, 2010, Pew Economic Mobility Project).

- Building assets – in addition to income – is essential to achieving long-term economic stability & mobility
  - Assets change thinking and behavior
  - Improve economic household stability
  - Create long-term thinking and planning
  - Are linked to reduced marital dissolution and domestic violence
  - Enhance the well-being and life chances of children

Why Assets?

- Assets & Economic Mobility: Having parents with a higher level of savings and having a higher level of savings oneself significantly increases chances of making the climb up the income ladder, especially for low-income individuals and families.[1]

- Assets & Marriage: Even small amounts of wealth can have a significant impact on closing the marriage gap between black and white males.[2]

- Assets & College Success: Asset ownership is associated with increased aspirations and higher rates of college attendance and completion.[3]

[1] (Cooper and Luengo-Prado, 2010); [2] Schneider 2010, dissertation research; [3] Elliott, 2010

Trends in Asset Ownership

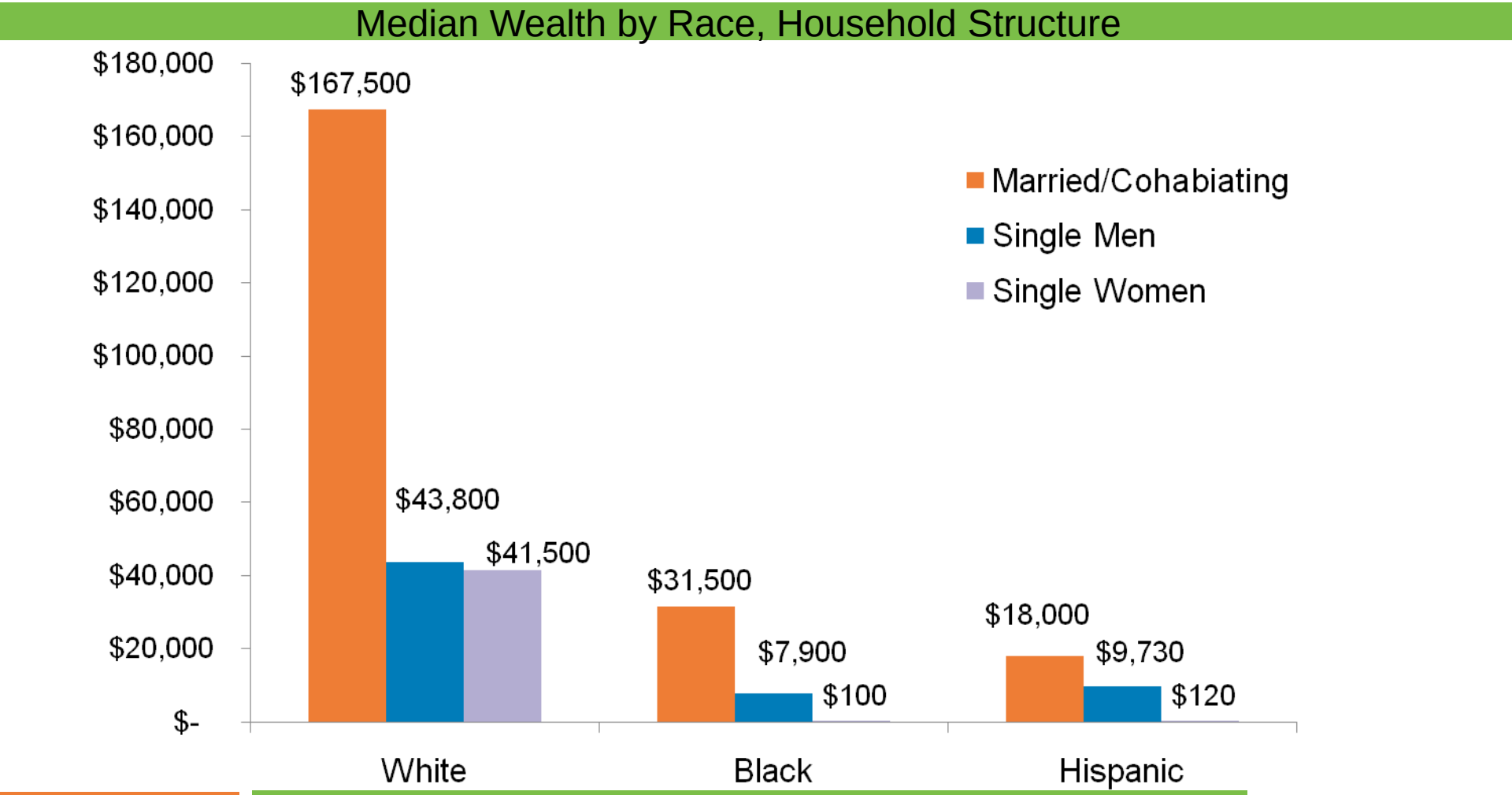
"The most acute economic divide in America remains the steadily widening gap between the wealth of black and white families"

Tom Shapiro, Brandeis University

- The wealth gap between white and African American families has more than quadrupled over the course of a generation. (Increased by $75K, from $20K to $95K.)
- 1 in 4 African Americans have zero or negative net worth
- 1 in 10 African Americans have over $3,600 of debt. Stagnating wages plus increasing levels of debt show new dependence on credit to make ends meet.

Source: Institute for Assets and Social Policy, Brandeis University, 2010

Trends in Asset Ownership



Source: Chang, M. and Lui, M. 2010. Lifting as We Climb: Women of Color, Wealth and America's Future

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Trends in Asset Ownership

44% OF HOUSEHOLDS ARE LIQUID ASSET POOR IN AMERICA

Liquid Asset Poor

lack savings to cover basic expenses for **three months** if job loss, a medical emergency, or other crisis leads to a loss of stable income

26% of households earning between $55,000 and $90,000 are liquid asset poor

Trends in Asset Ownership

- ***Asset Poverty***: % of households that lack a financial buffer to allow for 3 months consumption at poverty threshold in absence of income.
  - 22% of households are asset poor.
  - 27% of households with children.
  - 37% of minority households
  - 49% of minority households with children

Source: CFED 2009-2010 Assets & Opportunity Scorecard

Trends in Asset Ownership

Many households
lack the basic tools
to save for a rainy day.

Trends in Asset Ownership

Borrowers are carrying around $10,736 in **credit card debt**

More than half of consumers have **subprime credit scores**

One in five households are **underbanked**

History of AFI & IDAs

1991

- The Center for Social Development at Washington University in St. Louis published *Assets and the Poor*, Michael Sherraden's germinal book outlining the conceptual framework for IDAs.
- U.S. House of Representatives Select Committee on Hunger hosted the first federal hearings on IDAs.
- The Assets for Independence Act (AFIA) was introduced in Congress.

1993

- Community-based organizations implemented the first IDA initiatives.
- Iowa enacted the first state IDA law.

1995

- CFED hosted the first national IDA conference.
- CFED released the first edition of the *IDA Program Design Handbook: A Step by Step Guide to Designing an IDA Program*.

History of AFI & IDAs

1996

- Federal welfare reform law included IDAs as a permissible use for Temporary Assistance for Needy Families (TANF) funds, protecting families from asset penalites if they are in an approved IDA program.
- CFED, the Center for Social Development, and 11 funding partners launched a national IDA policy demonstration—the American Dream Demonstration (ADD)—with 13 sites.

1998

- The Assets for Independence Act (AFIA) became law, establishing a five year, $125-million federal IDA demonstration.

1999

- President Clinton discussed the IDA-like savings accounts in his State of the Union address.
- The U.S. Department of Health and Human Services Office of Refugee Resettlement made funds available to establish and manage IDAs for refugees.

History of AFI & IDAs

2000

- Approximately 250 U.S. IDA initiatives were in operation.
- Center for Social Development published *Savings and Asset Accumulation in Individual Development Accounts*, the first comprehensive report on data generated by the ADD.
- Congress considered the Savings for Working Families Act—a multibillion-dollar tax legislation to promote IDAs.

2001

- *IDA State Policy Guide: Advancing Public Policies in Support of Individual Development Accounts,* an informational tool kit for developing state policy in support of IDAs, was released.
- *Individual Development Accounts for Youth: Lessons from an Emerging Field* was released as the first attempt to document the activity in and lessons learned from the emerging youth IDA field.

History of AFI & IDAs

2003

- The Savings for Working Families Act passed the Senate.
- CFED surveyed and created an online directory of the IDA field.
- The Savings for Education, Entrepreneurship, and Downpayment (SEED) Policy and Practice Initiative was launched.

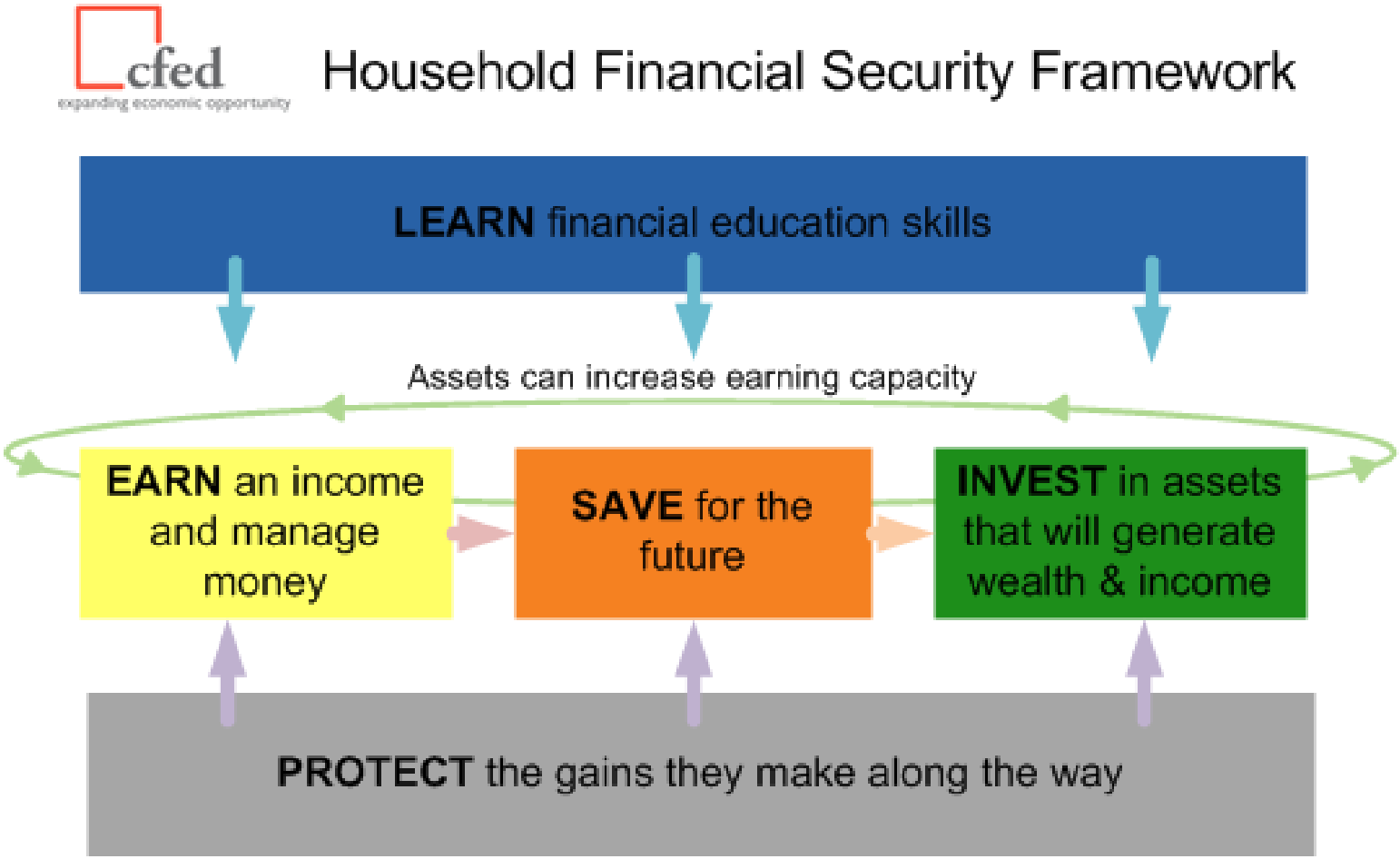
2004 - 2014

- Ongoing efforts to reauthorize AFI
- Ongoing research into effectiveness of IDAs (CSD, Abt, Urban, CFED)
- Expanding trend for State IDA Programs
- Expanding interest in innovation with savings incentives to help low income households save (emergency savings, children's savings, prize linked savings, etc)
- IDA field broadens to an "asset building field" which expands focus to full set of financial access, financial capability and financial protection issues.

How Does AB fit into Broader Anti-Poverty Context?

- Household Financial Security Framework
- Programs = Integrating Asset Building & Financial Empowerment Strategies into Human & Social Service Delivery
- Policy = Direct and Tax expenditures to support asset-building behaviors (local, state and federal innovation)

How Does AB fit into Broader Anti-Poverty Context?



Household Financial Security Framework

LEARN

Possession of knowledge and skills that enable navigation of and success in markets (labor, financial) have direct bearing on financial security:

- **K-12 & Postsecondary Education**: Basic literacy and math skills, plus commitment to lifelong learning are critical for employment and advancement
- **Financial Education & Counseling**: Timely, relevant, accurate information on basic budgeting, taxes, financial products and services, and use of credit
- **Asset-specific Education:** Preparation for homeownership, business ownership, postsecondary education, and financial investments

Assets increase earning capacity

EARN

Wage Income
+ Business Income
+ Public &Employer Benefits
+ Tax Credits
+ Other (e.g. child support)

= INCOME

Ability to Maximize Income Depends On:

- Access to *reliable* **basic goods and services** (housing, transportation, medical care, child care, food)
- Available quality **job** and **business opportunities**
- Access to **public benefits** and **tax credits** (e.g., EITC, Child Care)
- **Asset ownership** (higher education, home, business, financial investments)
- **Knowledge** and **skills** related to work, taxes and benefits

SAVE

INCOME
- Current Consumption
- Debt Payments

= SAVINGS

Ability to Save Depends On:

- Access to *affordable* **basic goods and services** (housing, transportation, medical care, child care, food)
- Convenient, low-cost **financial products** (transaction and savings vehicles, credit and insurance products)
- Convenient, affordable **financial structures** (e.g., direct deposit, automatic enrollment, online banking, bank location)
- **Knowledge** and **skills** related to money management, financial products ,and credit building and repair.

INVEST

SAVINGS
+ Borrowing
+ Public Incentives

= ASSETS

Ability to Build Assets Depends On:

- **Price** and **appreciation of assets** (higher education, home, business, financial investments)
- **Affordable financing**
- Access to **public incentives** (e.g., downpayment assistance, government loan guarantees, Pell Grants, IDA/CSA match)
- **Knowledge** and **skills** related to asset purchase and management

PROTECT

Financial security gains must be protected against loss of income or assets, extraordinary costs, and harmful or predatory external forces.

- **Insurance** (public or private): Protects against loss of income or assets as well as against extraordinary costs (e.g. Unemployment, Disability, Life, Health/medical, Property)
- **Consumer Protections**: Protect Consumers from deceptive and/or predatory practices (e.g. predatory mortgage lending, payday lending, banking practices)
- **Asset preservation**: Depends on government policies (e.g. community investments, blight ordinances, foreclosure prevention) and market conditions

Examples of Financial Security Programs and Policies

Learn

- Financial education & counseling
- Credit counseling & debt management
- Asset-specific education & training

Earn

- Free tax prep
- EITC/other tax credits
- Access to benefits

Save

- Affordable, accessible financial services
- Savings incentives
- Removing disincentives (such as asset limits)

Invest

- Matched savings programs for adults and/or kids
- Home purchase subsidies
- Small business capital
- Education subsidies

Protect

- Insurance
- Consumer financial protection
- Foreclosure prevention

OPTIONS FOR DELIVERING INTEGRATED SERVICES

Refer

Involves finding organizations who provide services your clients need, and setting up a process for referring clients to these services.

Advantage

Less resource intensive; relies on the capacity of other organizations.

Disadvantage

Clients have to travel to another location, which may limit take-up of services. Also, partners may have different goals and outcomes, or their services may not be a good fit for your clients.

Partner

Involves deeper relationships and "shared" clients. In co-location, multiple organizations are hosted at one organization's site so that many services can be offered in a "one-stop" setting. In co-branding, multiple organizations provide services at one neutral location with a single brand and centralized intake and outcomes.

Advantage

Establishing formal partnerships can maximize the strengths and reach of multiple organizations. Co-locating allows clients to avoid traveling to multiple locations, which can be a barrier to service delivery. Co-branding helps meet the holistic needs of clients by partnering with organizations working to achieve the same outcomes.

Disadvantage

Partnerships may involve compromise, and you may have to give up some autonomy. Also, partnerships can take time to establish, especially when deciding where to locate services and how to brand them.

Do-It-Yourself

Involves building internal capacity to embed financial security services into your existing services.

Advantage

You can ensure that goals and activities contribute to your organizational mission, and provide all services at one location.

Disadvantage

More resource intensive; staff will need training and other support.

LINKING FINANCIAL CAPABILITY SERVICES TO MISSION-DRIVEN OUTCOMES