Building Assets, Strengthening Families

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About CFED

- CFED (Corporation for Enterprise Development)
  - Has worked for over 30 years to expand economic opportunity
  - Our special expertise: connecting public policy, private markets and community practice
  - Bringing effective approaches for building wealth and financial security to scale at the local, state and national levels

- Major national initiatives include:
  - The Assets and Opportunity Scorecard and Campaign
  - Asset Building for Children (ABC)
  - Self-Employment Tax Initiative (SETI)
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Overview

- Why Assets?
- Asset Ownership: Distribution & Trends
- The Power of Assets: Recent Research
- A Framework for Financial Security
- Asset-Building Strategies – What Works?
- Asset Policies – What's Needed?

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Why Assets?

- Income alone is insufficient to create financial stability.
  - Nearly half (45%) of African-American children whose parents were *solidly middle income* fall into the bottom third of the income distribution as adults, compared to 16% of whites.[1]

- Assets – in addition to income – are essential to achieving long-term economic stability & mobility.
  - Assets promote long-term thinking and planning
  - Create a financial buffer to weather emergencies
  - Improve economic household stability
  - Enhance the well-being and life chances of children
  - Are linked to reduced marital dissolution and domestic violence

[1] Isaacs, 2007, Pew Economic Mobility Project.

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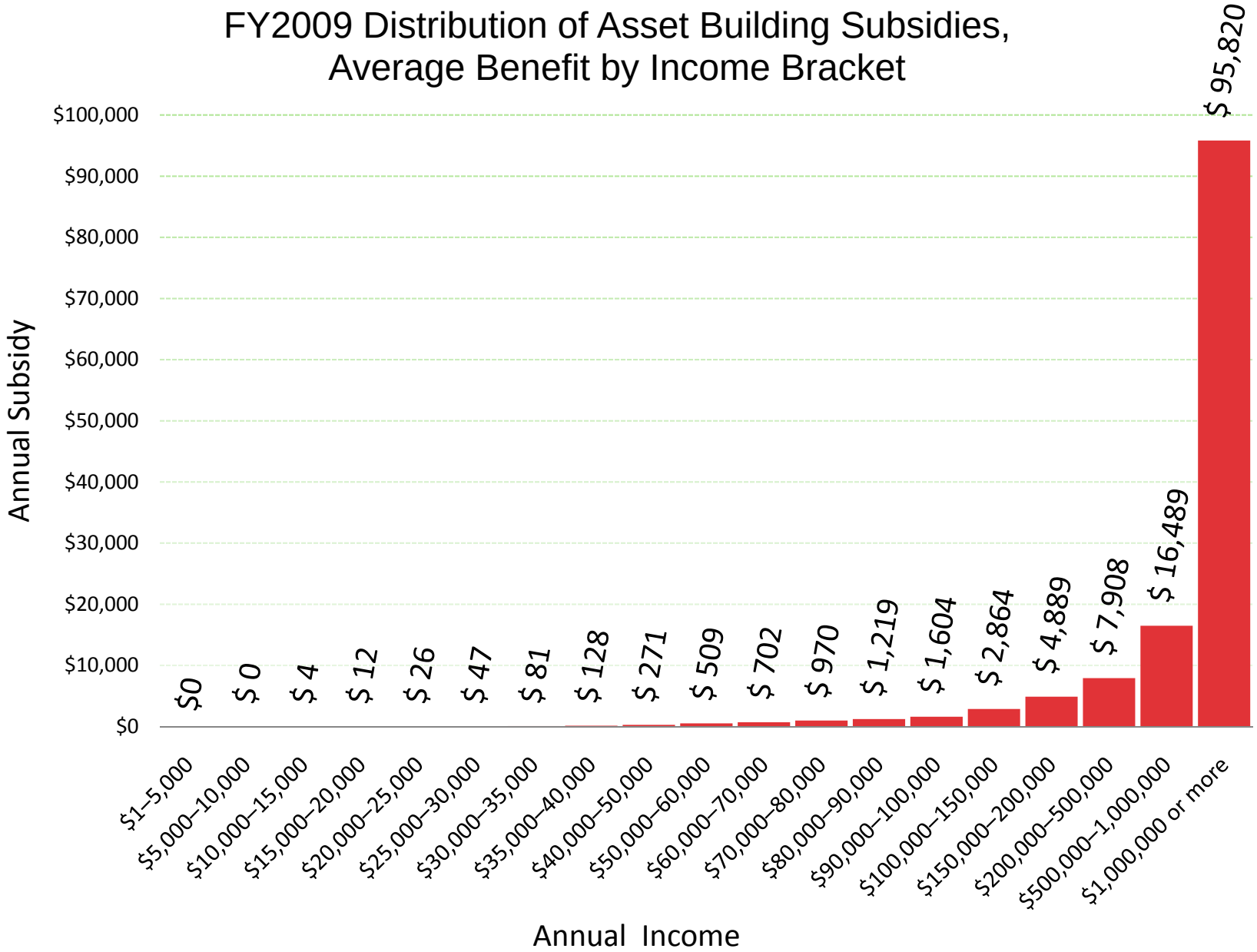
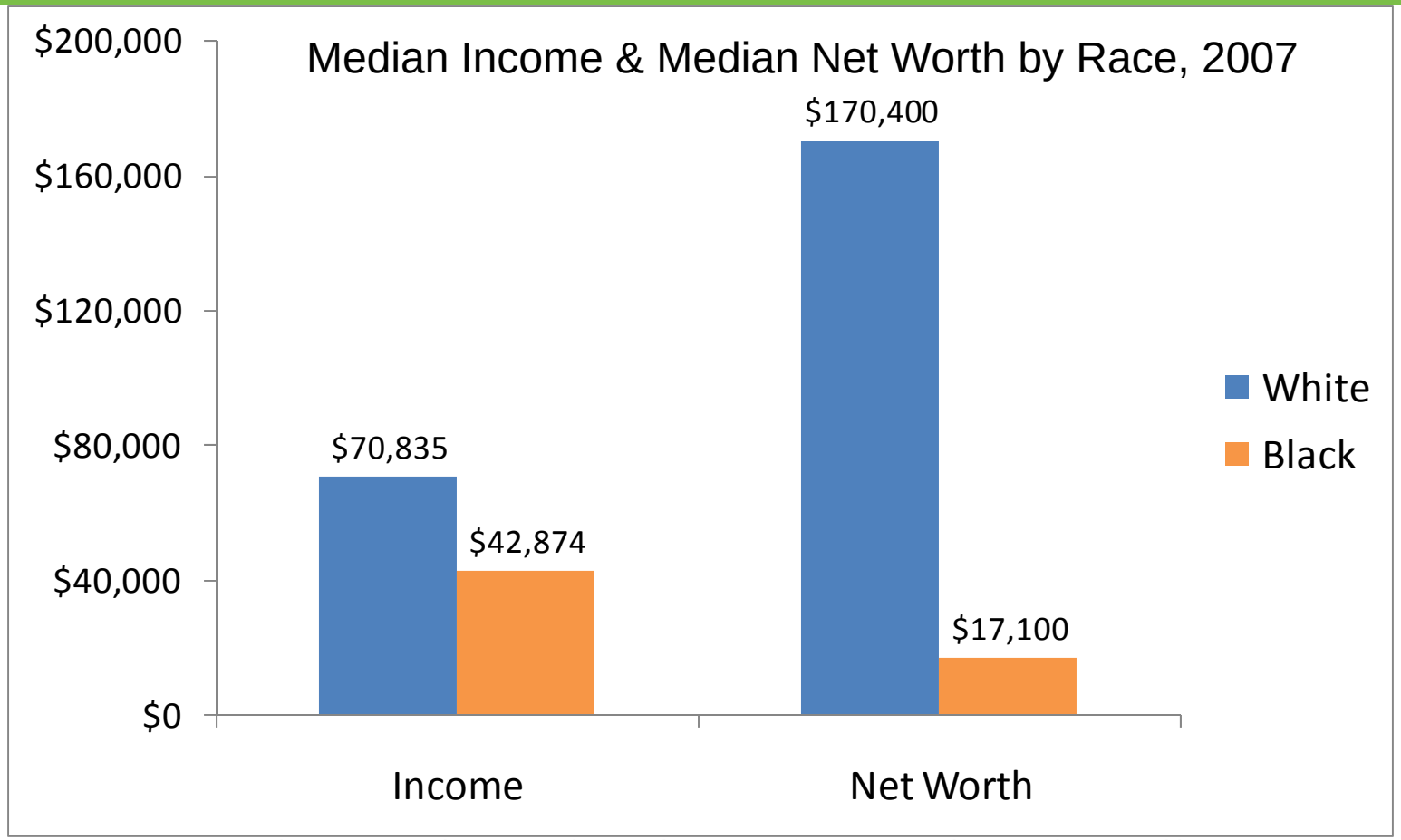
Asset Distribution & Trends: Upside-Down Subsidies



Asset Distribution & Trends: The Racial Wealth Gap



Sources: American Community Survey (Income), Survey of Consumer Finances (Net Worth)

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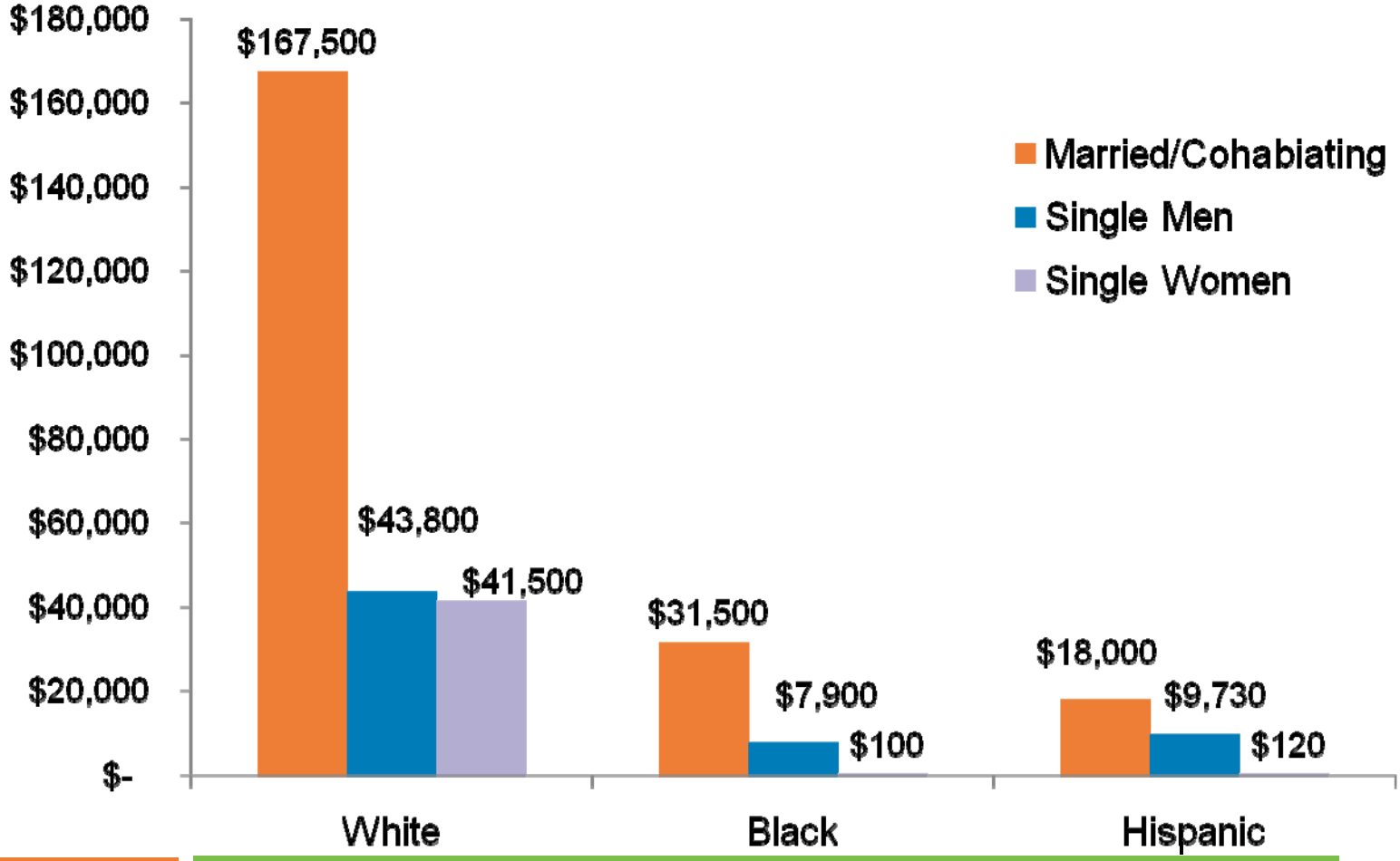
Asset Distribution & Trends: Family Structure and the Wealth Gap

Median Wealth by Race, Household Structure



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

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Asset Distribution & Trends: Asset Poverty

- Asset Poverty: Percent of households that lack a financial buffer to allow for 3 months' consumption at the poverty threshold in the absence of income.
- Asset poverty affects…
  - 22% of all U.S. households
  - 27% of households with children
  - 37% of minority households
  - 49% of minority households with children

Source: CFED 2009-2010 Assets & Opportunity Scorecard

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Assets & Financial Security in ACF Region 2

Measure	NJ	NY
Asset Poverty	**20.2%** (18)	**32.5%** (49)
Asset Poverty by Race	**3.04** (30)	**2.80** (26)
Unbanked Households	**21.8%** (20)	**32.4%** (39)
Median Credit Card Debt	**$3,125** (36)	**$2,833** (23)
Low-Wage Jobs	**13.7%** (6)	**17.9%** (16)
Housing Cost Burden - Renters	**48.5%** (49)	**47.6%** (45)
Four-Year Degree by Income	**3.99** (15)	**4.34** (22)

The Power of Assets: Recent Research

- 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

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Household Financial Security Framework

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LEARN

Knowledge and skills that enable navigation of and success in markets (labor, financial) have a 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 can increase income and earning capacity

EARN

Wage Income
+ Business Income
+ Public & Employee Benefits
+ Tax Credits
+ Investment Income

= 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)
- **Debt reduction**
- 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, gov't loan guarantees, tax incentives, Pell Grants, IDA/CSA match)
- **Knowledge** and **skills** related to asset purchase and management

PROTECT

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 discriminatory, deceptive and/or predatory practices (e.g., redlining, predatory mortgage lending, payday lending, banking practices)
- **Asset preservation:** Depends on government policies (e.g., community investments, blight ordinances, foreclosure prevention) and market conditions

A Framework for Financial Security

LEARN	Financial education & coaching; credit counseling & debt management; asset-specific education and training
EARN	Free tax prep; EITC/other tax credits; access to benefits
SAVE	Affordable, accessible financial services (transaction accounts, savings accounts, small dollar loans, direct deposit); savings incentives; removal of disincentives
INVEST	Matched savings programs (IDAs, MDAs, CSAs); home purchase subsidies; small business capital; college subsidies
PROTECT	Insurance; consumer financial protection; foreclosure prevention

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What Works:
Tax Time Benefits & Savings

- Earned Income Tax Credit campaigns can be leveraged for asset building and financial education.
- Controlling for income, education, work and other demographic factors, EITC filers are twice as likely as non-filers to have savings. (DCA 2008)
- New for 2011 Tax Season:
  - Tax-time Savings Bonds via Form 8888 for self and others
  - Tax-time bank account enrollment pilot, spearheaded by Treasury
  - $aveUSA pilot: VITA site matched savings incentives in 5 cities

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What Works:
Tax Time Benefits & Savings

- Pilot at tax prep sites to increase savings among low-income individuals.
  - Open account at VITA site with $200 or more.
  - 50% match if participants save for 1 year (up to $500 over 2 years)
- Key findings:
  - Average income of savers: $16,200
  - 78% women, 82% households with children, 9% married
  - 80% saved full year; 59% continued
  - Average savings of $627

Source: NYC Office of Financial Empowerment

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What Works:
Individual Development Accounts (IDAs)

- $1 - $8 match for every dollar saved toward home, education, small business, retirement
- Includes mandatory financial education; asset-specific education also provided
- Key findings from recent study on homeownership outcomes:
  - IDAs disproportionately helped minorities and women purchase homes
  - IDA homebuyers overwhelmingly accessed prime, FHA and fixed-rate lending
  - IDA homebuyers were 3 times less likely to experience foreclosure

Source: CFED/Urban Institute

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What Works: Children's Savings Accounts (CSAs)

- CSAs are:
  - Similar to IDAs, but with important additional features
  - Opportunity for children to learn to save early; financial education offered for both kids and parents
  - Often involve an initial deposit to "seed" the account, as well as matching funds
  - Deposits can be made by family, friends, and the children themselves
  - SEED Initiative was first large-scale test of CSAs: 1,200 accountholders accumulated almost $1.8 million over 3.5 years, with an average balance of more than $1,500
  - Growing momentum to take CSAs to scale

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Asset Policy Opportunities

- A time like no other in the history of the U.S. asset building field
- Important policy opportunities at the local, state and federal levels
- Get connected:
  - Join the State Assets & Opportunity Campaign, http://scorecard.cfed.org
  - Join the federal policy advocacy network, www.cfed.org/go/advocacy

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Resources

- scorecard.cfed.org
- idaresources.org
- economicinclusion.gov
- joinbankon.org
- d2dfund.org
- tax-coalition.org
- fdic.gov/consumers/consumer/moneysmart
- eitcplatform.org

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