

# Building Assets, Strengthening Families

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# About CFED

- CFED (the 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

# The Save and Invest Economy

“We cannot rebuild this economy on the same pile of sand. We must build our house upon a rock. We must lay a new foundation for growth and prosperity – a foundation that will move us from an era of borrow and spend to one where we save and invest.”

*-- President Barack Obama, April 2009*

# Why Assets?

- Income alone does not create financial stability:  
“Income may feed people’s stomachs, but assets change their heads.”
- Assets = financial accounts, real estate, businesses, education, investments, etc.
- Asset ownership...
  - Promotes long-term thinking and planning
  - Creates a financial buffer to weather emergencies
  - Improves household financial stability
  - Enhances the well-being and life chances of children
  - Is linked to reduced marital dissolution and domestic violence

<sup>1</sup> Isaacs, 2007, Pew Economic Mobility Project.

# The Power of Assets: Recent Research

- **Assets & Economic Mobility:** Having parents with a higher level of savings significantly increases chances of making the climb up the income ladder – especially for low-income individuals and families.<sup>1</sup>
- **Assets & Marriage:** Even small amounts of wealth can have a significant impact on closing the marriage gap between African-American and white males.<sup>2</sup>
- **Assets & College Success:** Asset ownership is associated with increased aspirations and higher rates of college attendance and completion.<sup>3</sup>

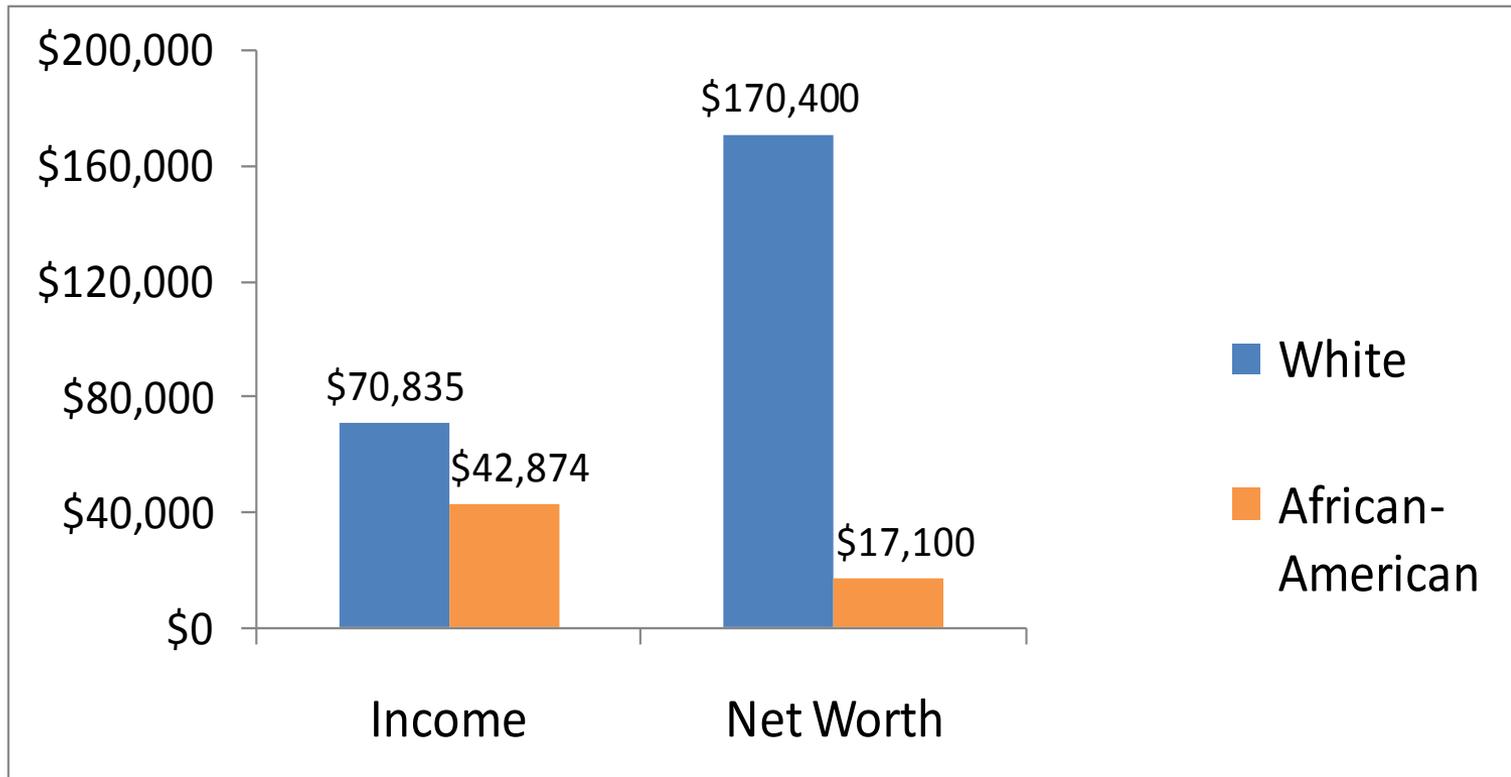
<sup>1</sup> (Cooper and Luengo-Prado, 2010); <sup>2</sup> Schneider 2010, dissertation research; <sup>3</sup> Elliott, 2010

# Asset-Building Policies

- Public policies to support asset building are not new...
  - Homestead Act, GI Bill, mortgage interest deduction, FHA/VA loans, retirement savings incentives
- ...But these policies have historically been uneven and inconsistent.
  - Tax benefits primarily go to those with higher incomes
  - Asset limits discourage savings for those on public assistance

# The Racial Wealth Gap

Median Income & Median Net Worth by Race, 2007



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

# Income Poverty vs. Asset Poverty

- **Income Poverty** = “the federal poverty line”
- **Asset Poverty** = whether a household has enough of a financial “cushion” to cover 3 months of expenses at the poverty line if income were interrupted.
- Asset poverty affects 27% of households with children, and 49% of households of color with children.
- **A true assessment of household financial stability includes both income *and* assets.**

Source: CFED 2009-2010 Assets & Opportunity Scorecard

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# Income & Asset Poverty in Region 4

State	Households in Income Poverty	National Rank	Households in Asset Poverty	National Rank
Alabama	16.7%	45	21.8%	26
Florida	11.4%	23	19.8%	17
Georgia	13.3%	37	24.2%	35
Kentucky	17.2%	48	23.5%	33
Mississippi	19.8%	51	23.8%	34
North Carolina	14.1%	39	25.8%	41
South Carolina	14.6%	40	26.5%	44
Tennessee	15.2%	43	22.9%	32

Source: CFED 2009-2010 Assets & Opportunity Scorecard

# 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

# What Works: Tax Time Benefits & Savings

- Earned Income Tax Credit (EITC) supplements workers' earnings by reducing their tax burden
- EITC 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.
- New for 2011 Tax Season:
  - Tax filers can buy savings bonds for themselves and others via the tax form
  - Bank account enrollment pilot, spearheaded by Treasury
  - \$aveUSA pilot: VITA site matched savings incentives in 5 cities

# 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

# What Works: Individual Development Accounts (IDAs)

- Matched savings accounts, used for homeownership, business start-up and postsecondary education/training
- Incentivized by match from public and private sources
- Includes mandatory financial education
- Often delivered by community-based organizations, housing authorities, faith-based organizations
- 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

# 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

# Resources

- [scorecard.cfed.org](https://scorecard.cfed.org)
- [idaresources.org](https://idaresources.org)
- [economicinclusion.gov](https://economicinclusion.gov)
- [joinbankon.org](https://joinbankon.org)
- [d2dfund.org](https://d2dfund.org)
- [tax-coalition.org](https://tax-coalition.org)
- [fdic.gov/consumers/consumer/moneysmart](https://fdic.gov/consumers/consumer/moneysmart)
- [eitcplatform.org](https://eitcplatform.org)

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