

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 by connecting public policy, private markets and community practice. Our goal is to bring 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)
 - I'M HOME
 - innovation@cfed

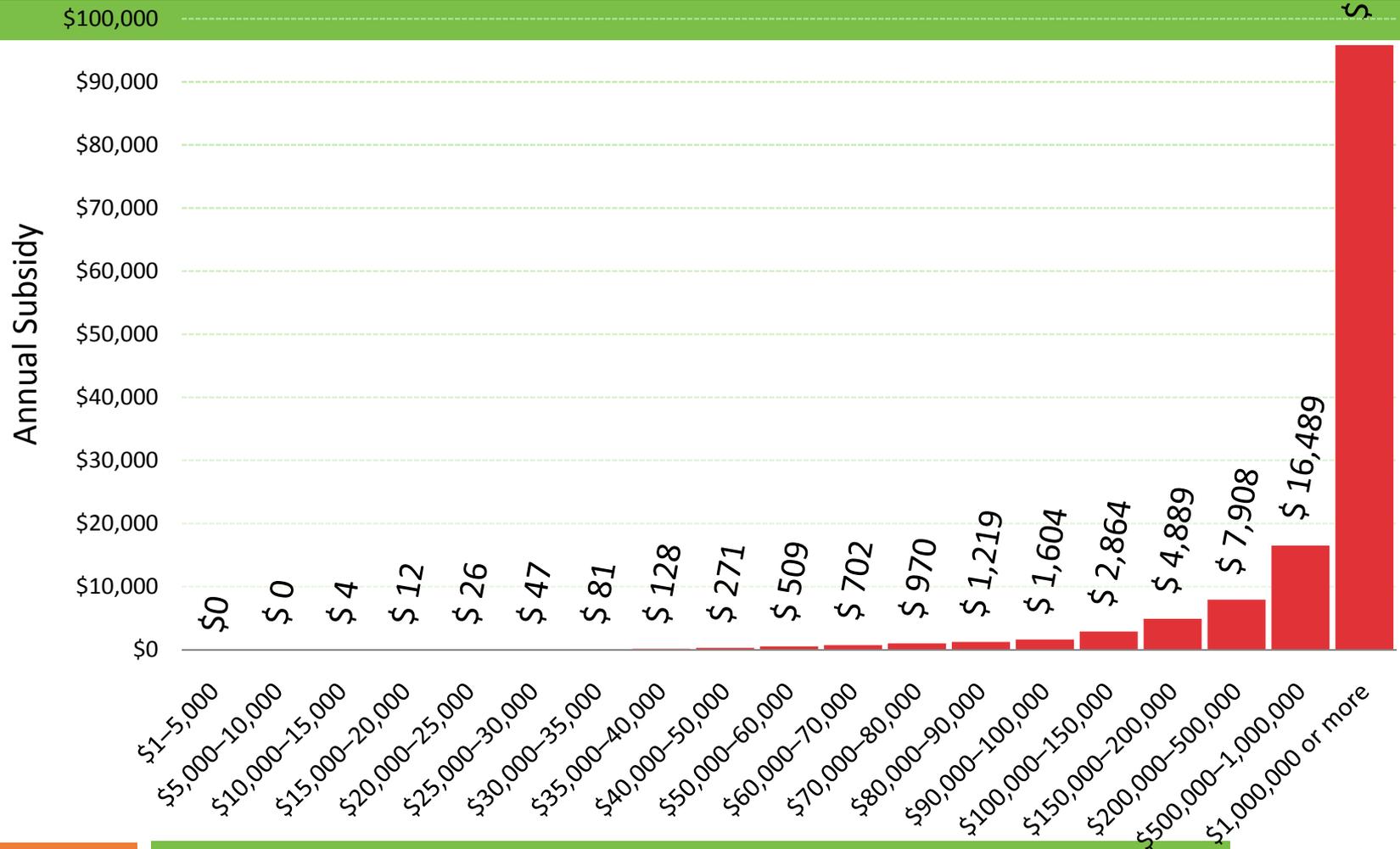
Overview

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

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 16% 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 (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

FY2009 Distribution of Asset Building Subsidies, Average Benefit by Income Bracket



Annual Income

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Asset Distribution & Trends

- **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

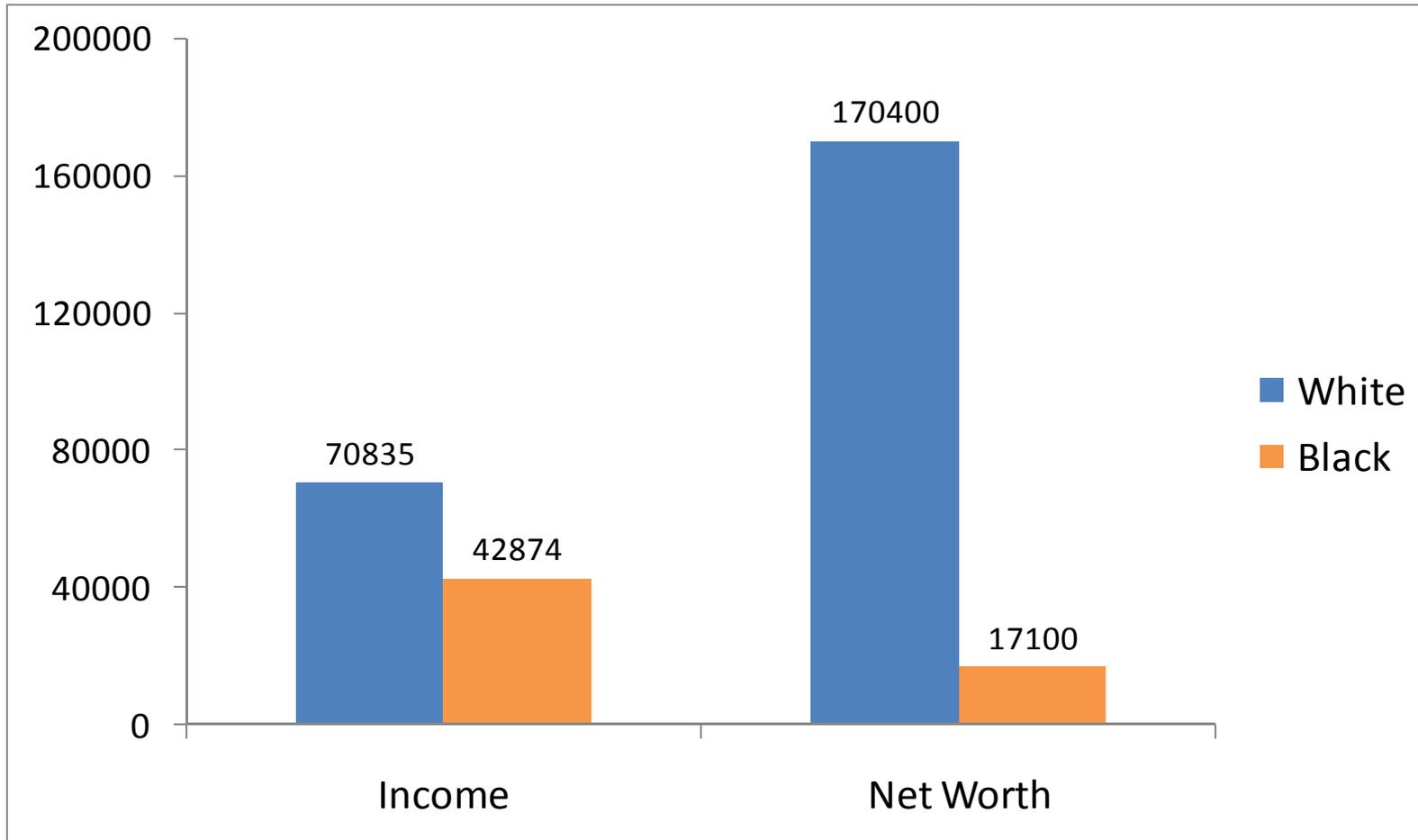
Assets & Financial Security in ACF Region 3

Measure	DC	DE	MD	PA	VA	WV
Asset Poverty	24.4% (36)	16.2% (4)	18.6% (8)	19.3% (13)	14.8% (1)	18.3% (6)
Unbanked Households	17.5% (8)	21.8% (21)	22.1% (22)	20.8% (18)	21.8% (19)	48.3% (46)
Median Credit Card Debt	\$2,788 (22)	\$3,141 (37)	\$3,391 (47)	\$2,716 (20)	\$3,344 (45)	\$2,520 (11)
Low Wage Jobs	7.3% (1)	22.7% (26)	17.5% (14)	22.1% (24)	20.0% (19)	38.5% (51)
Housing Cost Burden - Renters	45.8% (36)	46.5% (39)	46.3% (38)	43.3% (28)	42.7% (25)	36.5% (4)
Four Year Degree by Income	5.64 (38)	5.35 (36)	4.13 (19)	5.34 (35)	5.44 (37)	7.83 (49)

Source: CFED 2009-2010 Assets & Opportunity Scorecard

Asset Distribution & Trends

Median Income & Median Net Worth by Race, 2007



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

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Asset Distribution & Trends

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

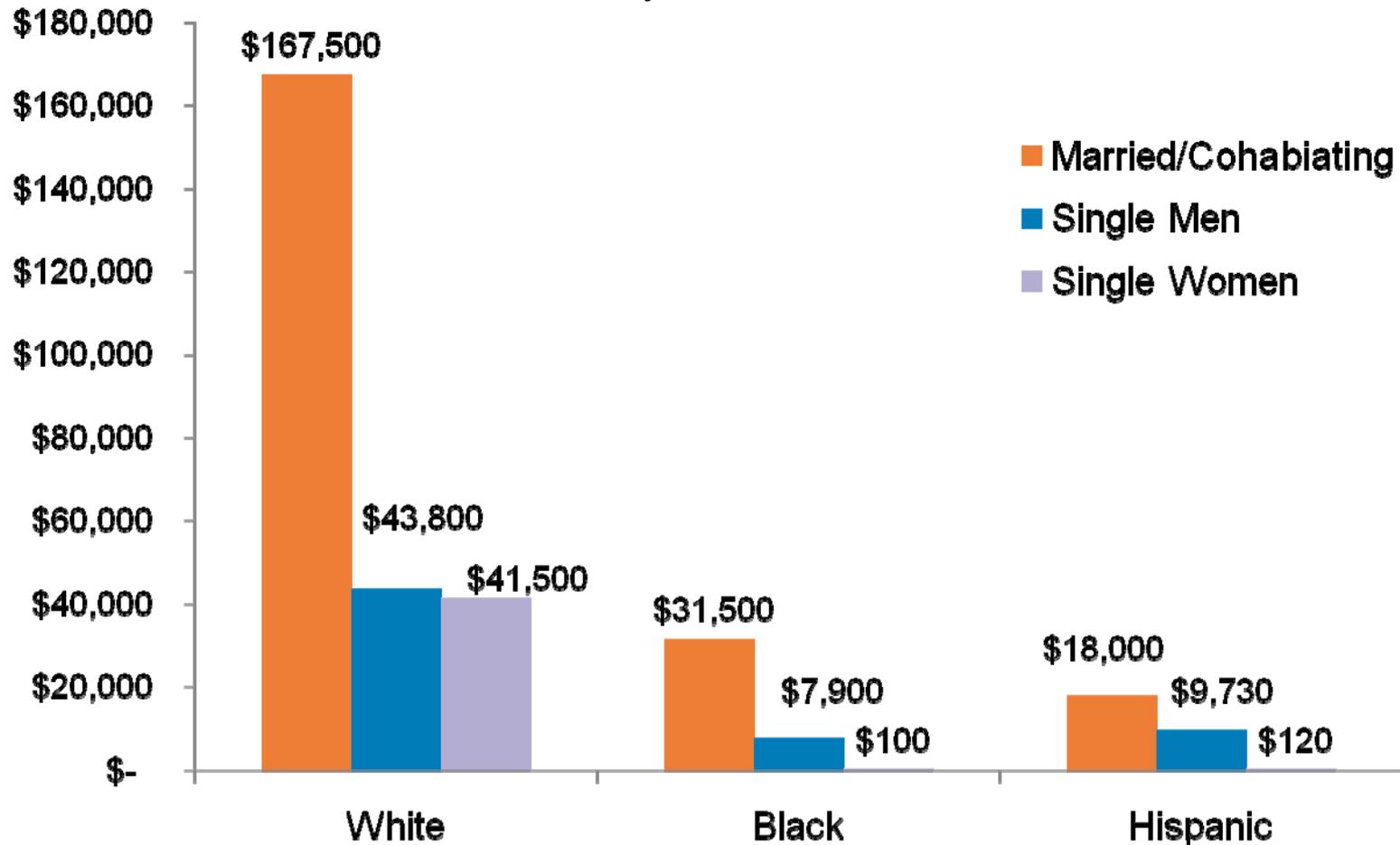
Tom Shapiro, Brandeis University

- 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

Asset Distribution & Trends

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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Assets & Mobility – New Research

- Assets & Economic Mobility: Analyses show that both 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, particularly for low-income individuals and families. (Cooper and Luengo-Prado, 2010)
 - Children of low-income, high-saving parents are more likely to experience upward income mobility (71% vs. 50%)
 - Higher personal savings also promotes greater upward mobility of individuals within their own lifetimes (55% vs. 34%).

Assets & Mobility – New Research

- Assets & Marriage: Acquisition of even small amount of wealth may have a significant impact on closing the marriage gap between black and white males (Schneider 2010, dissertation research).
 - Vehicle ownership increases odds of first marriage by 57%.
 - Financial assets increase odds of first marriage by 36%
 - Asset ownership reduced race differential in rates of first marriage by 13%, a larger % than was explained by other factors like income or employment

Assets & Mobility – New Research

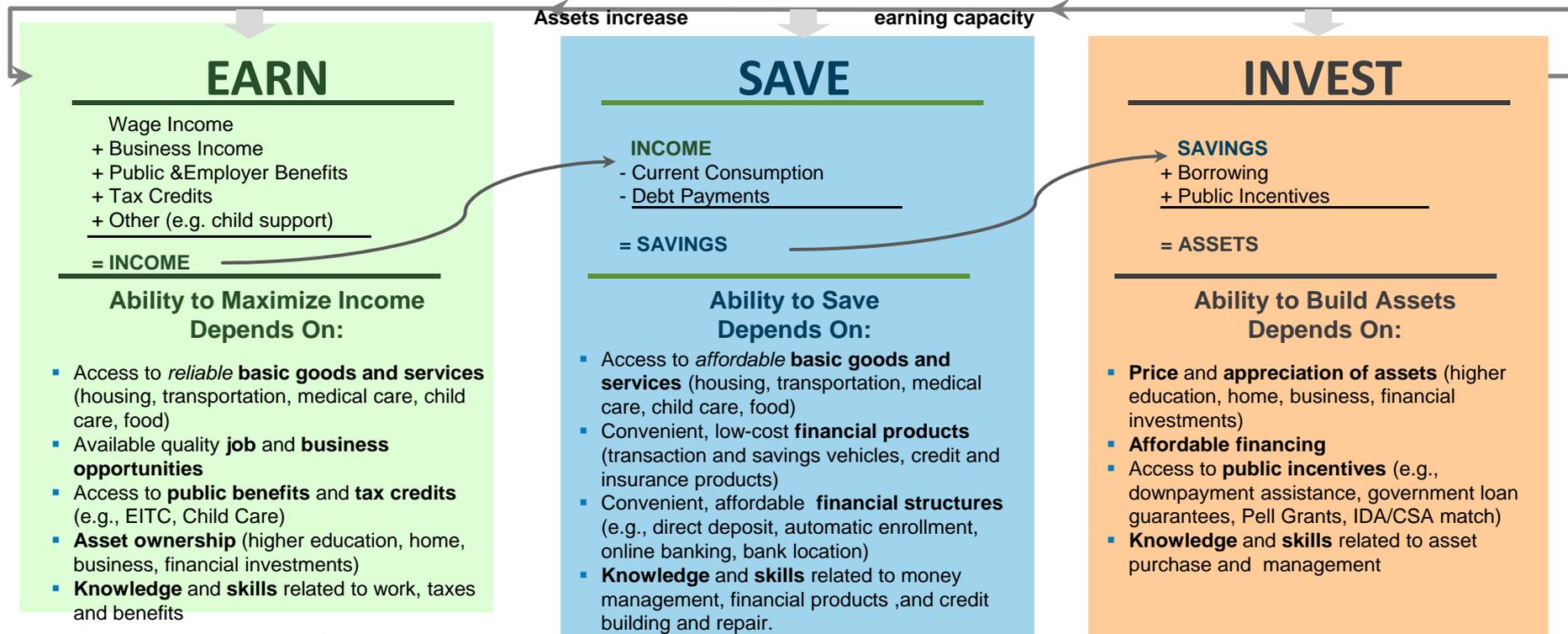
- Assets & College Success: Programs that promote asset accumulation among adolescents are likely to be associated with more young adults (low income, black) attending and graduating from college (Elliott, 2010)
 - Saving increases self-esteem, self-efficacy, hope for the future, and interaction with children about finances and college. Also enhances children's fiscal prudence, future orientation and self-esteem.
 - Among youth with an expectation of graduating from a four-year college, youth who have an account in their own name are 4-7 times more likely to attend college than youth who have no account.

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



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

Building Assets/Financial Security

LEARN (financial competencies)	Financial education & coaching, credit counseling & debt management, asset-specific education and training.
EARN (boosting income)	Free Tax Prep, EITC/other credits, Access to Benefits
SAVE	Affordable & accessible financial services (transaction accounts, savings accounts, small dollar loans, direct deposit); Saving Incentives; Removal of disincentives
INVEST (build assets)	Matched Savings Programs (IDAs, MDAs, CDAs), Home purchase subsidies, Small business capital, College subsidies
PROTECT	Insurance, Consumer Financial Protection, Foreclosure Prevention

What Works: EITC & Asset Building

- 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 (2011 Pilot – Treasury)
- \$aveUSA Pilot 2011 (matched savings incentive)

What Works:

Tax Time Benefits & Savings

- Pilot @ tax prep sites to increase savings among low-income individuals.
 - Open account @ VITA w/ \$200.
 - 50% match if participants save for 1 year (up to \$500 over 2 years)
- Key Findings:
 - Avg. income of savers \$16,200
 - 78% women, 82% w/ children, 9% married
 - 80% saved full year, and 59% continued
 - Average savings of \$627

Source: NYC Office of Financial Empowerment

Tax time = unique opportunity

Matched Savings can induce very low income to save

What Works: IDAs

- \$2-\$4 match for every dollar saved toward home, education, small business, retirement
- Financial education & asset-specific education
- Key Findings from recent study on homeownership outcomes
 - IDAs disproportionately helped minorities and women purchase homes
 - IDA homebuyers overwhelmingly accessed prime, FHA & fixed rate lending
 - IDA homebuyers 3 times less likely to experience foreclosure

Source: CFED/Urban Institute

What Works: Children's Savings Accts

- **Savings, particularly when paired with financial education, can transform children's aspirations and educational outcomes**
 - Children in families with as little as \$3,000 in savings had better odds of graduating from high school than those without savings.
 - Children with college savings accounts are more likely to expect to go to college, and are nearly twice as likely to be in college than those without an account.
 - When children have a savings account in their name, they are **seven times** more likely to attend and complete college than similar youth who do not have an account.
 - The concept of children's savings accounts holds broad appeal to Americans across political and geographic lines. In a national poll, almost seven out of ten respondents (69%) and almost eight out of ten parents (78%) supported the idea of CDAs.

Policy Opportunities

- Important policy opportunities at the local, state and federal level

Get Involved:

- Join the State Assets & Opportunity Campaign
 - <http://scorecard.cfed.org>
- Join the federal policy advocacy network
 - www.cfed.org/go/advocacy

Resources

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

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