

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)
 - I'M HOME
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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?

Why Assets?

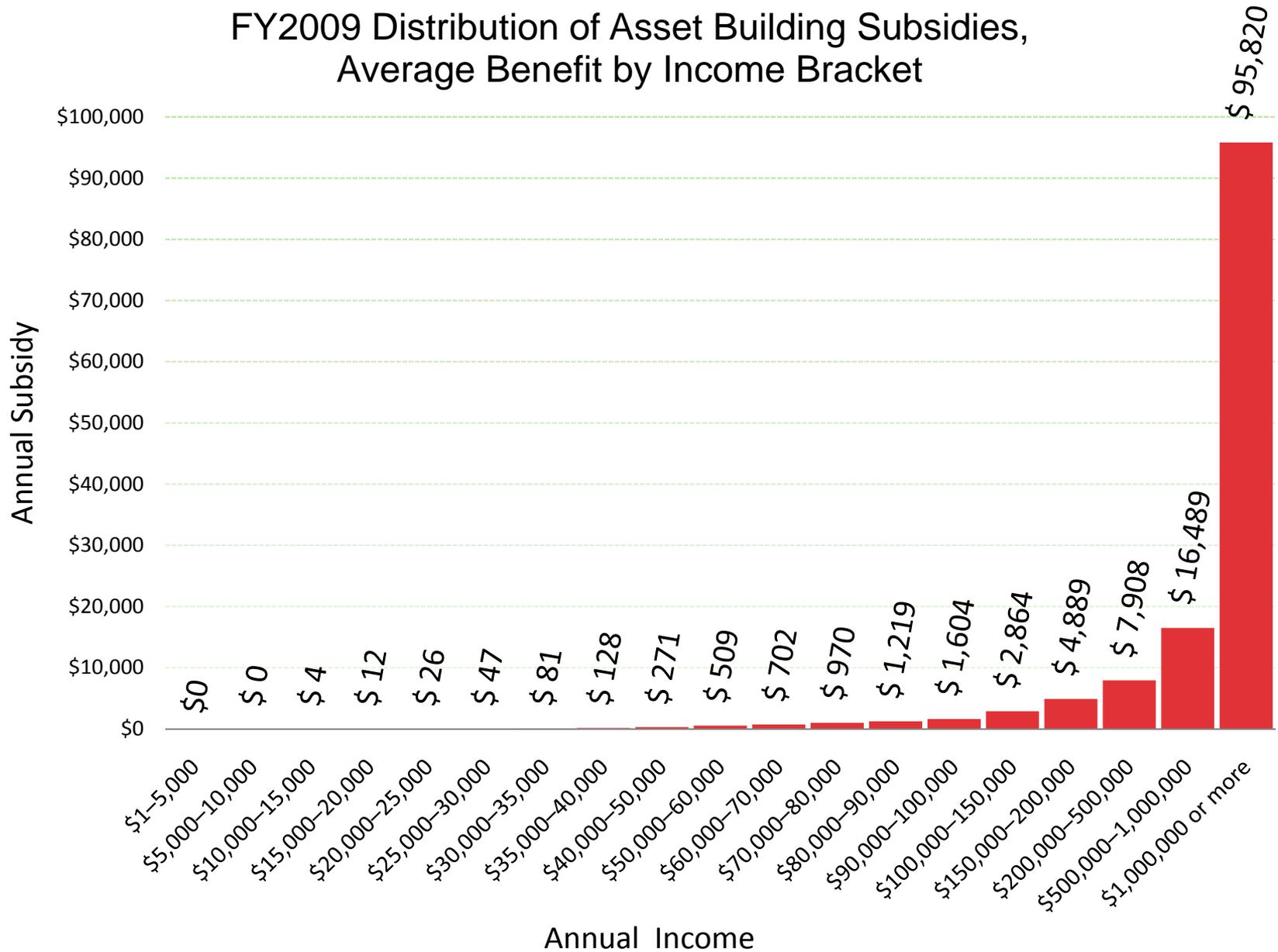
- Income alone is insufficient to create financial stability.
 - Nearly half (45%) of African-American children whose parents were *solidly middle income* fall into the bottom third of the income distribution as adults, compared to 16% of whites.¹

- 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

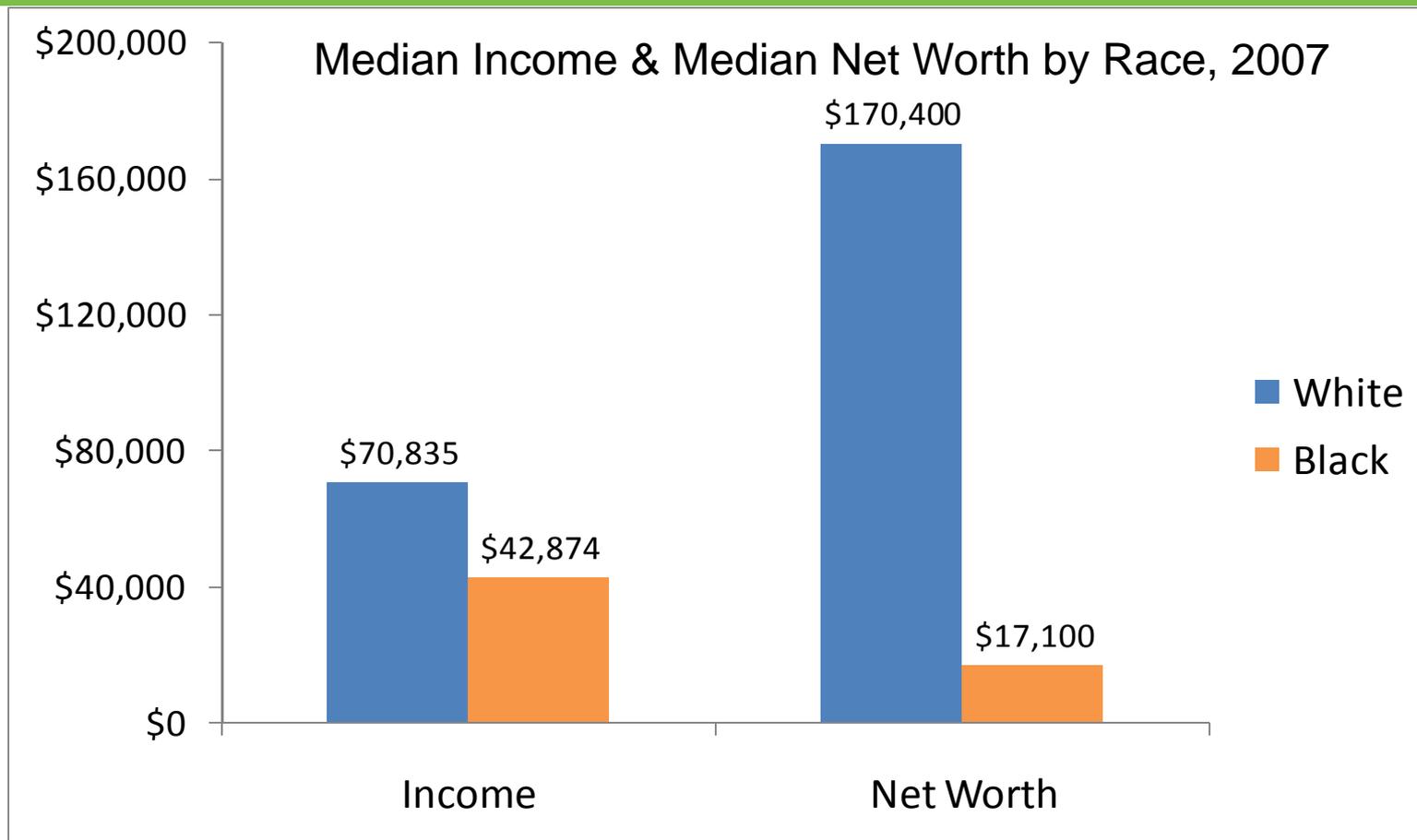
¹ Isaacs, 2007, Pew Economic Mobility Project.

Asset Distribution & Trends: Upside-Down Subsidies

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



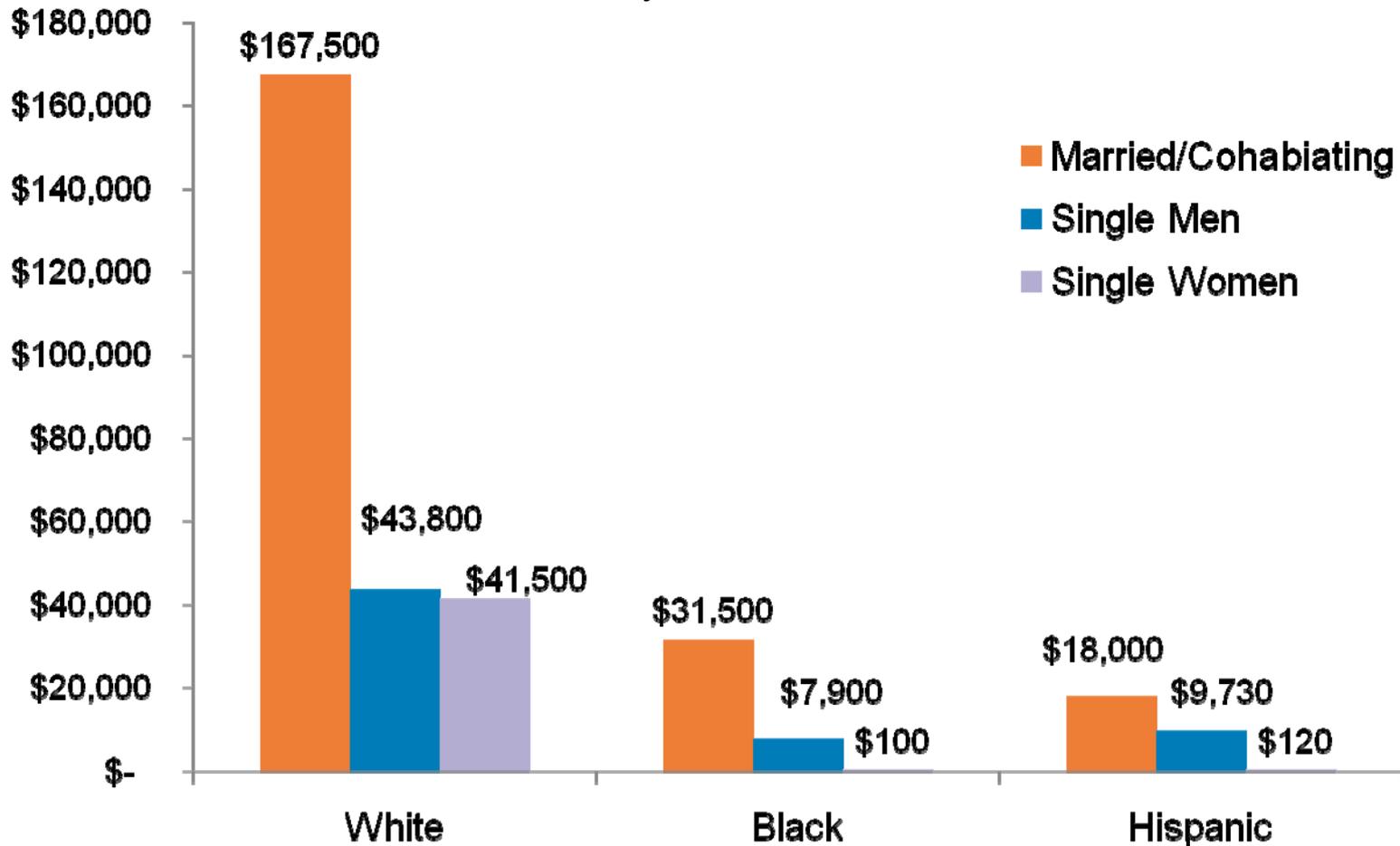
Asset Distribution & Trends: The Racial Wealth Gap



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

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

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

Household Financial Security Framework

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

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

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)

- \$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

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

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

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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