Paving the Way for Self-Sufficiency: IDAs for Foster Youth in Transition

The Assets for Independence (AFI) ***"Tools for Success" Case Study Series*** *is intended to highlight successful programmatic strategies that AFI grantees might find relevant and helpful to their work. This is the third case study in the series, examining how Individual Development Account (IDA) programs can provide a path to self-sufficiency for transitioning foster youth, thereby increasing program recruitment, asset purchases and the ability to raise non-federal funds.*

Growing recognition of foster youth IDAs as an innovative strategy

Each year in the United States, thousands of youth are emancipated, or "age out" of the foster care system by the time they reach age 19. In 2009, 11% of the 276,266 who exited the foster care system were emancipated, an increase of 4 percent from 2000.[1] Multiple studies have shown that foster youth who "age out" of the system without a safe, permanent family are likely to experience higher rates of homelessness and incarceration and are less likely to finish college, be employed and have health care coverage than their peers in the general population.[2]

Youth transitioning out of the foster care system without a family need a wide range of support programs and services to help them become self-sufficient and lead productive lives. IDAs can be a powerful strategy to help foster youth develop financial management skills; work toward financial stability by saving to go to college, own a home or start a business; and develop long-term life goals that align with their savings goals.

Over the past decade, several non-AFI IDA programs have successfully supported transitioning foster youth. The Jim Casey Youth Opportunities Initiative (JCYOI), a private foundation that supports programs and initiatives that help transitioning foster youth, designed the Opportunity Passport™ IDA for foster youth ages 14-24. The Opportunity Passport™ IDA allows participants to save towards the three AFI-approved assets as well as cars, security deposits for rental housing and health care. JCYOI has worked with organizations across the country to implement demonstration projects with the Opportunity Passport™ IDA. Data collection from ten JCYOI demonstration sites showed that between 2003 and 2008, over 3,000 participants had deposited more than $3 million and 35% of those

[1] Child Welfare Information Gateway. (2011). *Foster care statistics 2009*. Washington, DC: U.S. Department of Health and Human Services, Children's Bureau.

[2] Marci McCoy-Ross, Madelyn Freundlich, Timothy Ross. "Number of Youth Aging out of Foster Care Continues to Rise; Increasing 64 percent since 1999." *Connections*, no. 1 (2010).

participants had matched withdrawals from their account for eligible asset purchases.[3] Early findings from JCYOI's data from the demonstration sites indicate that foster youth who purchased assets with their IDA savings were more likely to report having safe, affordable housing and being employed.[4]

Some state and local governments have also created IDA programs for foster youth:

- Washington State's 2005 IDA legislation established an IDA pilot program for foster youth, administered by the United Way of King County, Treehouse (an education support organization for foster children) and the YMCA Independent Living Program beginning in 2006. Within the first year of the program, all but one of the 25 participants had "met the quarterly goal of depositing a minimum of $25 into their IDA account." [5]
- In 2008, New York City launched the Youth Financial Empowerment program, a five-year demonstration program focused on providing transitioning foster youth with financial education and AFI-funded IDAs. Out of the 300 foster youth recruited into the program, 159 have completed 12 hours of financial education and 120 have opened IDAs.[6]

These encouraging savings trends suggest that connecting IDA programs with foster youth alike can produce important benefits on both sides. For IDA programs, serving foster youth provides an opportunity to tap into a structured recruitment system and unconventional funding streams. For foster youth, IDAs can serve as a much-needed resource for becoming self-sufficient.

This case study explores special components and considerations for foster youth IDAs and highlights an AFI grantee that has created a successful program.

Getting the right players to the table

IDA and foster youth programs share a common mission of creating financially stable and independent adults –yet young adults transitioning out of care tend to have needs that extend beyond financial stability. The IDA alone may not be sufficient for long-term life success; many youth will also need other support services to help achieve self-sufficiency. These programs can help foster youth develop long-term career and life goals that will complement and/or help them reach their IDA savings goals.

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[3] Jim Casey Youth Opportunities Initiative. "The Opportunity Passport™: Building Assets for Youth Aging Out of Foster Care." (2009).
[4] Ibid.
[5] State of Washington Department of Community, Trade and Economic Development. "Individual Development Accounts Annual Report to the Legislature."(2008).
[6] "Crossing the Divide: IDAs Support the Transition from Youth to Adulthood – Preparing Foster Care Youth for Financial Independence." *IDAResources.org Newsletter*, (2011).

Career education and exposure: Foster youth can benefit from learning about a range of career paths they can choose, as well as the type of education or training they could attain through saving in an IDA. Partnering with local corporations and companies to organize "career days" or site visits can provide youth with exposure to different professions and a first-hand glimpse into how companies and organizations function. Similarly, partnering with local colleges and universities to arrange days where foster youth can take a tour or sit in on a class are valuable opportunities to offer useful exposure to higher education institutions and develop a clearer vision of an education savings goal.

Mentoring: The familial instability that many foster youth face makes it especially valuable for these youth to be connected with mentors. Mentors help foster youth learn about higher education opportunities, financial management, career options, and other life skills needed for self-sufficiency. IDA practitioners can connect foster youth with mentors by partnering with organizations such as the local Big Brothers Big Sisters chapter, the local YMCA chapter or Mentoring USA, which works in many metropolitan areas nationwide, including New York, Los Angeles, Chicago, Philadelphia, Houston and Washington, DC.

Employment and housing assistance: Transitioning foster youth need support services that will help them attain steady employment and affordable housing. In addition to career education and exposure, explore partnership opportunities with local or state government employment agencies that could help connect foster youth to job or internship opportunities. Similarly, partnerships with local or state government housing agencies or local nonprofit housing organizations to negotiate affordable rents or provide homeownership counseling for foster youth would be instrumental in helping these youth become economically stable and self-sufficient.

Identifying funding sources

Partnering with a foster youth program or serving foster youth directly presents opportunities for raising match funds from state and local governments that are earmarked for this specific population or for low-income youth in general. Perhaps the most well-known source of state government funding for IDA matching funds are TANF (Temporary Assistance for Needy Families) funds. TANF funding comes from the federal Department of Health and Human Services in the form of block grants to individual states. States have autonomy in how they administer TANF funds and can allocate portions of the funding for IDA matching funds and financial education. Thirty-four states have incorporated IDAs into how TANF funds can be administered.[7] Because TANF funding is intended to help low-income families and parents, IDA programs for youth with low-income foster parents, or

[7] Jim Casey Youth Opportunities Initiative. "The Opportunity Passport™: Building Assets for Youth Aging Out of Foster Care." (2009).

youth who have recently been emancipated from the foster care system and have children of their own, may qualify to receive financial support from TANF.

In addition to TANF funding, state and local government human service, social service, child welfare, community development or economic development agencies can set aside funding from other existing programs to match funds from AFI grants. Specifically, local and state government programs that provide economic, education and employment support services for low-income youth or are focused on helping low-income people become economically self-sufficient may be the best programs from which to seek support. IDA practitioners working with foster youth should consider discussing with these government agencies the options for receiving funding set-asides for matching funds and operating costs. Furthermore, these discussions could also present opportunities to recruit foster youth for government programs that assist low-income individuals in attaining higher education, vocational training or stable employment.

Another potential source of non-federal funding for foster youth IDA programs are local companies and corporations that have philanthropic arms or already partner with foster youth programs to provide career education and exposure opportunities. Corporations and companies that want to invest in their local communities may be inclined to contribute financial resources to programs that help create healthy futures for at-risk children and youth. Companies that already partner with local organizations that help children and youth explore career options (see "Getting the right players to the table") may be interested in investing more deeply in those who participate in their career education events. IDA practitioners working with foster youth can contact these companies, making the case that IDAs provide foster youth with financial management skills and the financial resources they need to become self-sufficient.

Lastly, IDA programs can research local private and community foundations that fund programs focused on helping disadvantaged children and youth. IDA practitioners should consider cultivating relationships with youth-focused foundations that can lead to medium- or long-term sources of financial support for the IDA program.

Structuring the program

IDA programs for foster youth should consider two specific components to appropriately tailor their services to the needs of these accountholders:

Financial education first: Participating foster youth should be required to complete the financial education component of the IDA program before they start saving. The transient family situations for many foster youth prevent them from having stable adult figures in their lives who can teach them basic budgeting and money management skills. As a result, it is important that an IDA program provide a solid foundation of financial education so that these youth are adequately prepared to start managing their money and have a clear vision of their savings goals once they start making deposits in the account.

Flexibility for a housing-related asset purchase: It is crucial for foster youth transitioning out of the foster care system to attain stable housing. Foster youth who "age out" of the system are especially prone to experiencing homelessness.[8] IDA programs are an important opportunity for these youth not only to attain housing, but also to start building assets. For many of these youth, however, becoming a homeowner may particularly be difficult given their damaged credit histories (see "Unique challenges") or a general lack of financial stability. IDA programs can address this by providing or partnering with a local organization to provide foster youth participants with homebuyer counseling and education in addition to the general financial education requirement. Alternatively, IDA programs could assist foster youth who are not financially stable enough to buy a home with opening a separate savings account for expenses required to secure rental housing (e.g. security deposit, monthly payments or utility payments).

Bridging the Gap: A Model for a Foster Youth IDA Program

Foster youth, who often have not been raised in stable and supportive families, face heightened challenges in attaining financial security and self-sufficiency, particularly when they reach 18 and "age out" of the system. As part of its Youth Success Initiative, AFI grantee Mile High United Way in Denver, CO created a program called Bridging the Gap to provide current and former foster youth, ages 14–23, with a range of support services and programs that includes IDAs.

Between 2006 and 2011, 410 foster youth opened IDAs through the Bridging the Gap program. Since the program began, $572,270 has been deposited into the IDAs, with $388,447 coming from saver deposits and $183,821 coming from incentive payments (e.g., payments for good grades, securing a job, or opening an additional savings account). Cumulatively, 53 percent of participants have utilized their funds for vehicle purchase (either down payment or full purchase price and insurance payments), 28 percent for housing costs (security deposits, first/last month rent or one-time rental payments) and 12 percent for post-secondary education expenses. Because AFI funds cannot be used for vehicle or rental expenses, Mile High United Way uses private, non-AFI dollars to allow for more flexible asset purchases, as foster youth often need assistance with more immediate purchases such as personal transportation and safe, stable housing.

[8] Administration for Children and Families, U.S. Department of Health and Human Services. "Promising Strategies to End Youth Homelessness: Report to Congress."

Saving in an IDA program also appears to have a large impact on high school graduation and college enrollment rates for foster youth in the program. Compared to 72 percent of youth raised in traditional families throughout the state of Colorado, 86 percent of the foster youth in the Bridging the Gap program report that they have graduated from high school. Fifty percent of the foster youth in the program enrolled in post-secondary education programs, compared to 60 percent of youth raised in traditional families and 20 percent of foster youth nationwide.[9]

In addition to IDA accounts, Bridging the Gap includes a range of programs and services dubbed "Tools to Succeed." These tools include a 12-hour financial education curriculum and a range of programs designed to help foster youth develop essential life skills and long-term goals.

- **Financial education** serves as the "ticket" or the entry point into participation in Bridging the Gap. Taught with the help of community volunteers, the curriculum covers basic tenets of financial education. It also incorporates personal money management stories from the volunteer teachers to convey to students that saving and budgeting are essential life skills and that everyone (regardless of income) needs to make them part of their lives.

- The **Signature Event Network** consists of monthly or weekly mentoring circles that are often led by local business leaders. Through these circles, volunteer mentors advise participants on practical life skills, providing a hands-on, on-the-ground method for educating foster youth about financial management and life skills. Similarly, the Youth Infusion program consists of resource fairs that participants can attend to learn from professionals about a range of life skills, including home maintenance, mortgage options, the home-buying process, and understanding rental leases.

- The **Inspiration Junkies** program exposes foster youth to different career options and industries in order to help them think more broadly and long-term about career development. A participating company arranges a behind-the-scenes tour for the participants to show them the different departments and jobs essential to the company's operations. The foster youth have lunch with the senior leadership staff of the company, who talk to them about their own career paths. The day concludes with a presentation from the company's human resources department about topics such as applying for and securing a job, and employee benefits.

[9] Refers to youth who "complete high school and are college qualified." Thomas R. Wolanin. *Higher Education Opportunities for Foster Youth: A Primer for Policymakers*. (Washington, DC: Institute for Higher Education Policy, 2005), 37.

- "**Life Mapping**" is another career-focused tool. Volunteers emphasize the need for participants to have a career plan rather than just thinking about short-term employment. Participants undergo the Harrison Assessment to help understand what careers are most suited to their interests and start developing a life plan. They are then referred to the Signature Event Network and the Inspiration Junkies program to further help them along in this process. The last major tool of success is the **Youth Engagement Network**, which helps participants develop civic leadership skills. Mile High has found that foster youth who are active in their communities are more likely to graduate from high school and enroll in college. Through the Network, they have the opportunity to influence state policies and participate in panels describing their experiences in the foster care system and in the Bridging the Gap program.

While IDA accounts and supporting programs provide foster youth with much-needed support in attaining self-sufficiency, there are some challenges. Program staff have found it difficult to stay connected with foster youth, due to their transient circumstances, and also face challenges in getting them banked. Given the high mobility of foster youth, Mile High program staff stress the importance of finding a "single-point bank partner" so that the foster youth can have their accounts anchored at one bank regardless of where and how much they move. Mile High is fortunate in this regard in that their partner is the Young Americans Bank, also in Denver, which is the only FDIC-insured bank designed specifically for young people. Mile High has been working to teach and train foster youth to utilize online banking so that their mobility does not negatively impact their ability to save and manage their money.

Mile High United Way's Bridging the Gap program provides an excellent model for how IDAs for foster youth can serve as a successful anchor and gateway for enabling this extremely vulnerable group of young people to build assets and independence. Their program is a testament to both the highly positive impact IDAs can have on their lives and the high level of support they need to thrive once they reach adulthood.

Marketing the program

Because foster youth regularly interact with the child welfare system, practitioners who want to start foster youth IDA programs can work directly with the local and state government agencies that administer the foster care system to recruit participants. In addition, practitioners can contact local community centers or nonprofits that specifically work with at-risk youth to discuss recruiting.

One of the most powerful ways to market an IDA program to foster youth is to have other youth who are current or former participants talk about their experience with potential savers, either in panel format, one-on-one, or both. First-hand accounts of transitioning foster youths' experiences with learning to manage money, saving regularly in an IDA and making an asset purchase can help prospective participants better envision how an IDA can help support their transition from the foster care system. To the extent possible, staff from organizations that provide mentoring and career education support services should be included on the panels to talk in detail about what these support services are and how they are intended to positively reinforce the financial education and account deposits required by the IDA program.

Unique challenges

Although IDA programs can increase enrollment, retention and asset purchases by helping foster youth successfully transition out of the foster care system, there are several challenges inherent in working with this population.

Keeping track of participants: Due to their highly transient circumstances, it can be difficult to keep in regular contact with foster youth, , which can negatively impact retention rates. It can also make it more difficult to ensure that foster youth in IDA programs stay connected with a financial institution. There are several ways to address these challenges:

- Keep contact information for foster youth participants as up-to-date as possible.
- Consider employing outreach strategies such as Facebook and Twitter to help keep foster youth aware of upcoming events and useful resources relevant to their IDA participation and other support programs. To the extent possible, offer financial education courses, events and trainings for other support programs in multiple locations accessible by public transportation.

Working with the right financial institution: Transitioning foster youth often face financial instability as well as location instability when they exit the foster care system. It is important to work with financial institutions that understand the financial needs of economically vulnerable young adults and are willing to offer accounts that are designed to meet these needs (e.g., no fees, no penalties for small account balances, multiple bank branches, etc.). In addition to appropriate savings products, the availability to access free online banking is another critical component. This provides foster youth with increased access for monitoring and managing their IDAs and enables them to maintain their accounts regardless of how often they change locations.

Identity theft: Throughout the time they are in the foster care system, biological parents, foster parents and caseworkers gain access to identification information of foster youth, making them particularly susceptible to identity theft. Their credit scores can be damaged at an early age, which could have long-term impacts on their financial stability.

It is important to closely monitor the credit scores of foster youth and take immediate action to start repairing their scores if identity theft occurs. Partnering with a local, nonprofit credit counseling agency may provide a streamlined process for monitoring and repairing damaged credit scores as well as teaching foster youth about the importance of building and maintaining good credit.

Conclusion

Foster youth transitioning from the child welfare system are a particularly vulnerable population of teenagers and young adults, and may need a wide range of support services to be able to successfully support themselves. Most foster youth do not have the opportunity to develop the life skills that others learn by growing up in a traditional or permanent family. Yet when they age out of the foster care system (usually between the ages of 18 and 24), they are forced to become fully independent and self-supporting. Through IDA programs designed to accommodate their unique needs and circumstances, foster youth around the country are showing that they can successfully save for assets and acquire financial management skills that will enable to them become economically self-sufficient.

In turn, by working with transitioning foster youth, IDA programs can benefit from increased enrollment and active participation that leads to more asset purchases. Practitioners who seek to create IDA programs for foster youth should incorporate complementary services and supports that will contribute to the ability of these youth to save and manage money. Practitioners should consider partnerships with local and state governments, social service and welfare programs, and local foundations and companies to raise financial resources for their IDA programs and connect their foster youth participants with education and employment opportunities. Despite the challenges that working with this vulnerable population presents, serving foster youth offers IDA programs an excellent opportunity to put more people on the path to building assets and healthy futures.