

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?

Why Assets?

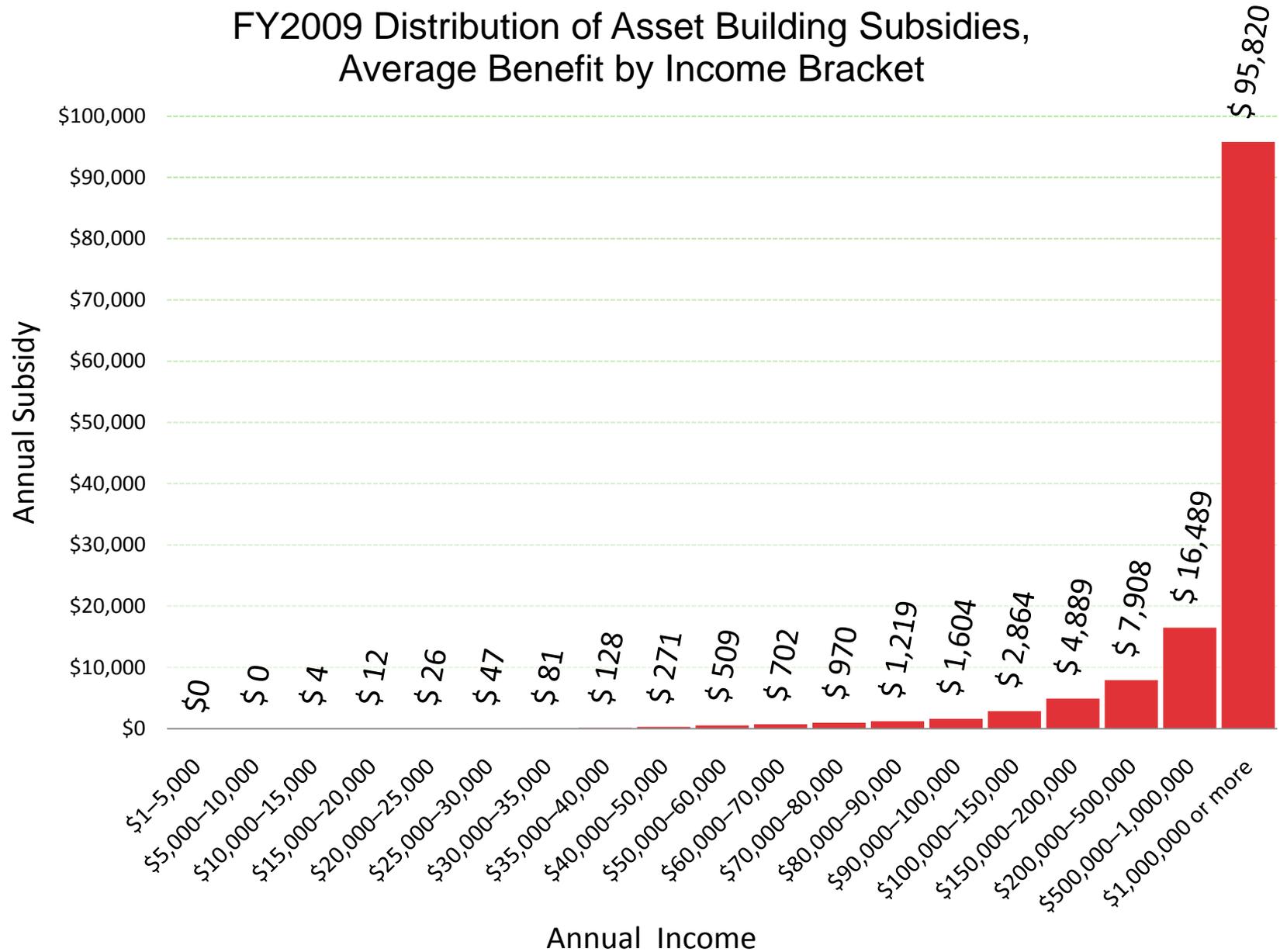
- Income alone is insufficient to create financial stability.
 - Nearly half (45%) of African-American children whose parents were *solidly middle income* fall into the bottom third of the income distribution as adults, compared to 16% of whites.¹

- 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

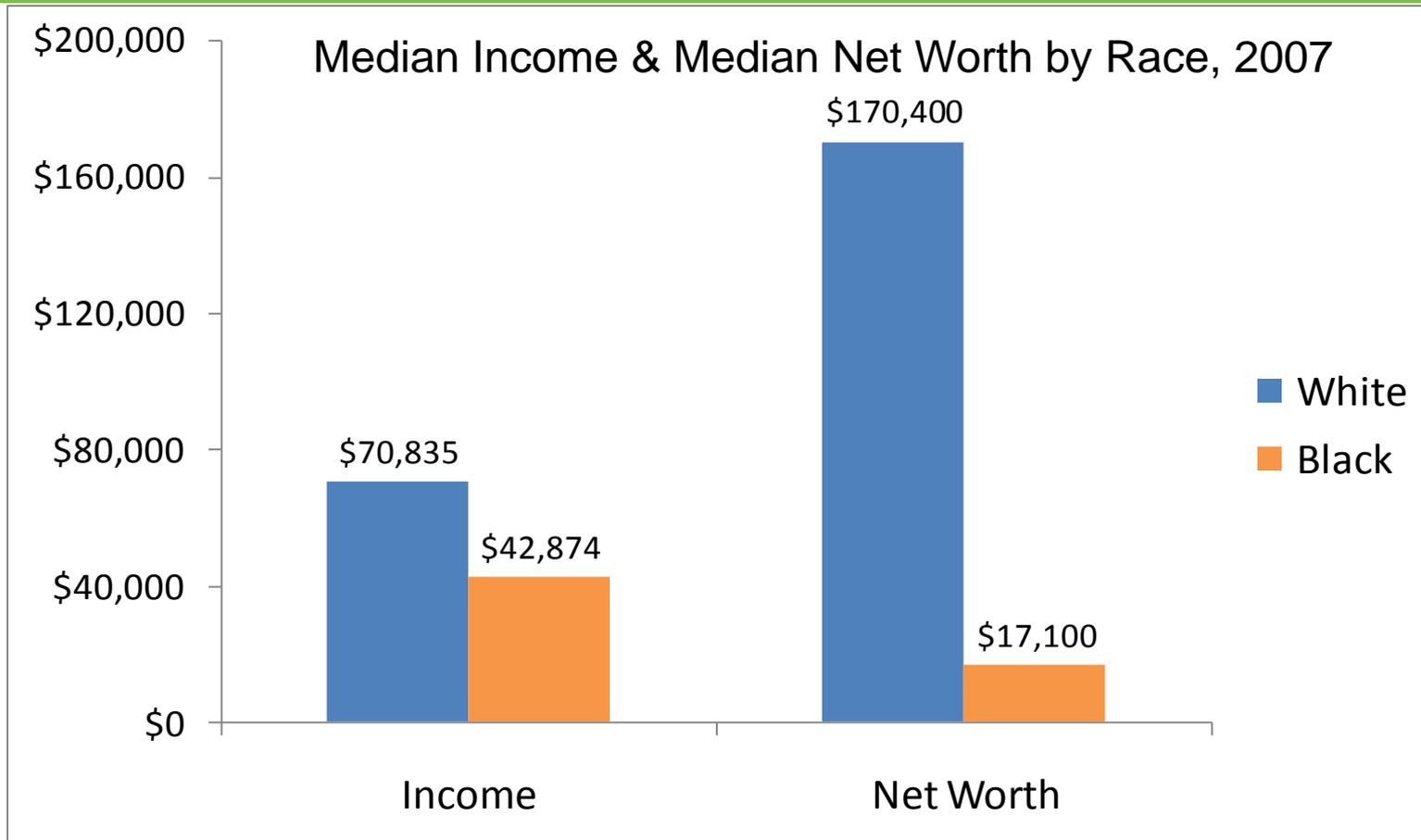
¹ Isaacs, 2007, Pew Economic Mobility Project.

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: 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 5

Measure	IL	IN	MI	MN	OH	WI
Asset Poverty	21.8% (25)	21.8% (23)	19.7% (16)	14.9% (2)	22.6% (29)	19.5% (14)
Unbanked Households	23.5% (24)	28.4% (31)	29.2% (33)	20.6% (17)	28.7% (32)	20.0% (15)
Median Credit Card Debt	\$2,911 (28)	\$2,943 (29)	\$2,984 (30)	\$3,003 (32)	\$3,083 (35)	\$2,482 (7)
Low-Wage Jobs	20.7% (22)	24.6% (30)	19.1% (18)	15.4% (11)	21.4% (23)	20.1% (20)
Housing Cost Burden - Renters	46.6% (40)	41.8% (18)	48.0% (48)	43.9% (30)	45.1% (34)	41.8% (18)
Four-Year Degree by Income	4.39 (23)	5.32 (33)	5.64 (39)	4.15 (20)	5.99 (40)	4.99 (30)

Source: CFED 2009-2010 Assets & Opportunity Scorecard

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

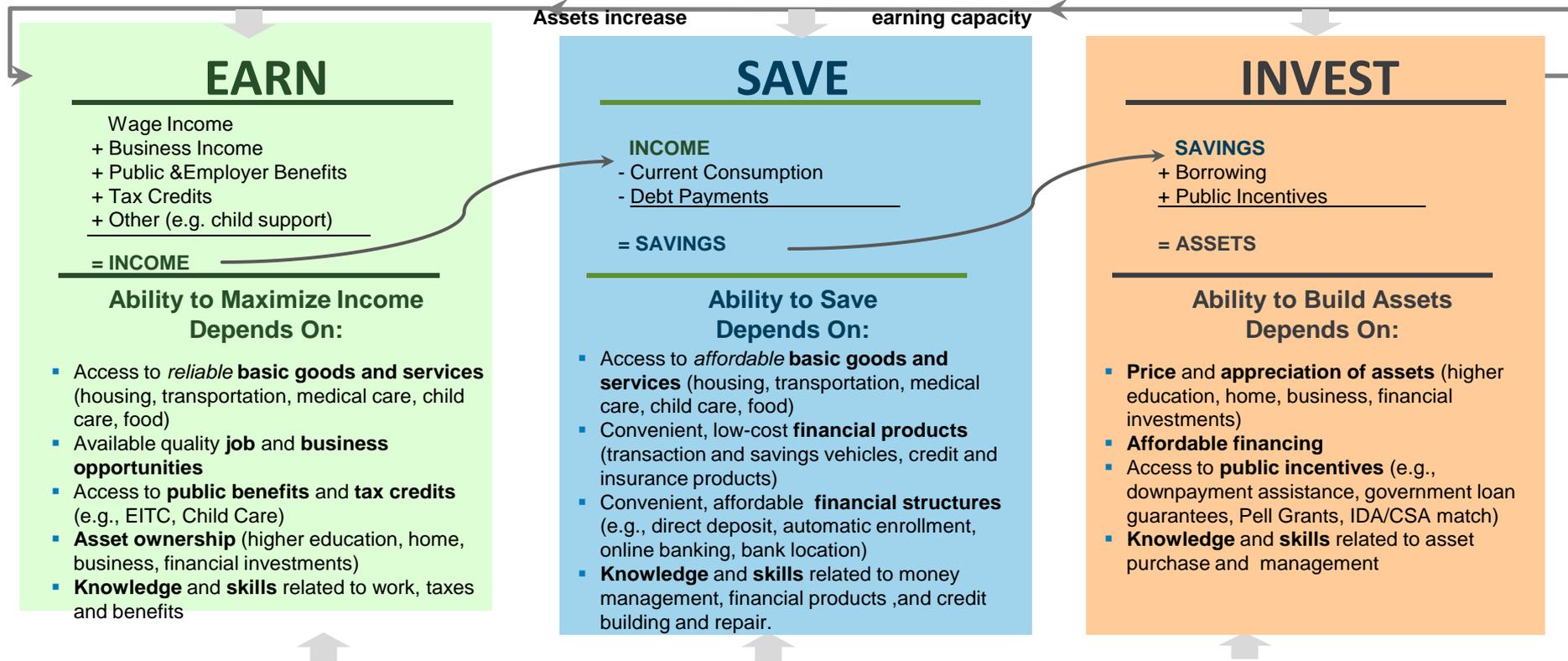
¹ (Cooper and Luengo-Prado, 2010); ² Schneider 2010, dissertation research; ³ Elliott, 2010

A Framework for Financial Security

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

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

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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

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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