

# ASSET and AFI

Asset-Building Tools to Strengthen Families

Fourth Northeast Family-Strengthening Conference

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Richmond, VA



U.S. Department of Health and Human Services  
Administration for Children and Families

ASSET 

# Asset Building

***“With income we get by, but with financial assets we get ahead.”***

Ray Boshara  
Vice President, New America Foundation

***“Few people have ever spent their way out of poverty. Those who escape do so through saving and investing for the long-term.”***

Michael Sherraden  
Center for Social Development

# Income Poverty and Asset Poverty

- Income Poverty:
  - established in 1960s
- Asset Poverty:
  - Insufficient net worth to live at Federal poverty level for three months without income. Family of three (\$4600)

Use Income  
AND Asset  
Poverty to  
assess true  
picture of  
financial  
instability

# ASSET Initiative Goals

- Increase availability of asset-building opportunities
- Bring AFI (matched savings) to more communities
- Coordinate asset building across ACF programs
- Equip ACF staff to succeed with asset-building strategies
- Identify effective asset-building practices

# Asset-Building Tools

- Financial education
- Getting banked
- Managing credit and debt
- Tax Credits and Tax Filing Assistance
- Savings and Individual Development Accounts (IDAs)
- Access to benefits

## Asset Poverty:

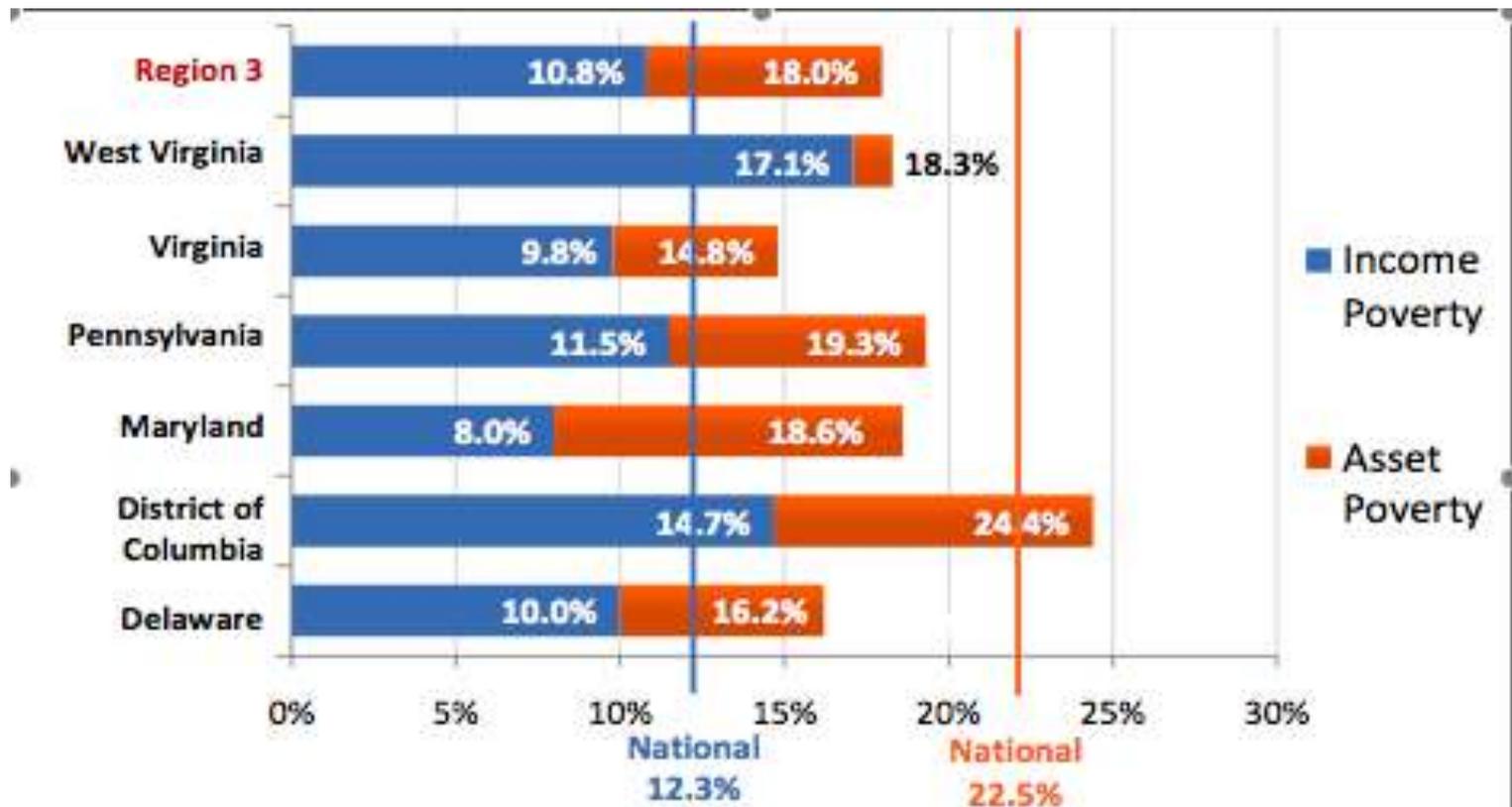
- 22% of all households are asset poor
- 27% of households with children
- 37% of minority households
- 49% of minority households with children
- 56% of black children in middle-income households drop to bottom third as adults.

# Assets Do Matter

- Necessary for financial stability
- Essential for economic mobility
- Buffer personal and economic crises
- Promote long-term thinking
- Enhance well-being of children
- Reduce marital dissolution and domestic violence



# Region 3: Income and Asset Poverty



Source: CFED's 2009-2010 Assets & Opportunity Scorecard.

## Assets and Mobility/Stability

- Children of low-income but high saving parents are more likely to climb economic ladder (71% vs. 50%).
- Higher personal savings also promotes upward mobility (55% vs. 34%).
- Having good credit (able to borrow even small dollars for emergency) as effective as tripling income.

Cooper and Luengo-Prado, 2010

Mayer and Jencks, 1989

## Assets and Marriage: The Gap

- Even small amounts of assets reduce the marriage gap between black and white males.
  - Vehicle ownership increases odds of first marriage 57%.
  - Financial assets increase odds by 36%.
- Assets reduce race differentials by 13%, more than income or employment .

Schneider, 2010

## Assets and Marriage: Median Wealth

- Among whites, median wealth is 3.5 to 4 times greater for marrieds than for single men or women.
- Among blacks, median wealth is more than 300 times greater for marrieds than for single women, 4 times greater for men.

Lifting As We Climb, 2010

# Assets and Educational Success

- Children in families with just \$3000 in savings more likely to complete high school.
- Low-income, black adolescents associated with programs that promote asset building more likely to attend and graduate from college.
- Youth with own savings account 4 to 7 times more likely to attend college than those without.
  - Large savings are not necessary for this effect.

American Journal of Education, May 2011

Social Service Review, 2003



# Tools That Work

# Financial Education

- Knowledge basis for responsibility
- Knowledge itself a productive asset
- Life stage makes a difference.
  - School
  - Marriage
  - Family
- Match customer and delivery, content.
- Beginning point for other strategies

# Financial Education

- Professional development for staff
  - Comfort
  - Knowledge to connect, refer
- Embed financial education/financial decisions into service flow for all populations at key points.
  - E.g., Build into TANF service plans/agreements
    - In job readiness, placement
    - At point of employment, advancement
      - » Direct deposit, enrolling in 401, choosing health insurance
- Include financial benchmarks in service plans

## EITC Claims and VITA Assistance

- Second easy step but requires advance work
- EITC filers twice as likely to have savings but:
  - Large numbers still do not claim EITC or other refunds and credits.
  - Too many pay preparers too much.
  - Too many use Refund Anticipation Loans (RALs).
- Market earlier (NOW!), target uses, link with other asset tools, services
- Follow up on uses; benchmark them
  - VA CASH: 30% followed up on savings and referrals

# Credit Counseling/Debt Management

- Increases employability, as well as retained earnings
- Refer to credit counseling and follow up
  - Noncustodial and custodial parents
  - Benefits applicants
  - Other customers
  - Staff
- Support capacity, quality
- Link to tax filing on site
- Include benchmark in contracts, service agreements

# Mainstream Banking

- Retain earnings
  - \$200 vs. \$1300 in DC
- Incentivize direct deposit
- Link to tax filing: banks on site
- Include Second Chance, Checkwise in training, placement services
- Develop Bank On partnerships: use them
- Include benchmark in contracts, agreements

## Matched Savings: AFI

- IDAs help minorities and women to homeownership in greater proportions
  - 45% black; 18% hispanic
  - 77% female; 23% married
  - 75% one child; 25% three or more children
- IDA buyers avoided subprime terms
- IDA buyers foreclose at one-third rate
  - Negligible for AFI; most projects none
- Can 62,000 low-income asset owners be wrong?

## Matched Savings: Other

- Build on 529s
- Link to college prep:
  - GEAR UP VA since 2001 linked with 529
  - Great Expectations: VA Community Colleges (no IDA)
- Support other assets: vehicle, insurance, security deposit
- Employer-related savings, matches

# Assets for Independence

Demonstration of anti-poverty policies and strategies that enable individuals to ...

- **Learn** about financial and consumer issues
- **Save** in Individual Development Accounts

In order to ...

- acquire a first home
- access higher education or training and/or
- start or support a small business
- save to transfer to an eligible dependent or spouse

# Policy Demonstration

- AFI was established to test asset-based policies and strategies
- The principal strategy being tested is the Individual Development Account (IDA)
  - special purpose, matched savings accounts
- AFI features on-going knowledge development about these strategies
- AFI seeks new venues and populations for testing and fine-tuning these approaches
- AFI strongly encourages innovation to address unique needs of participant populations

# AFI Basics

# AFI Guidelines

- Asset purchases:
  - First home
  - Small business capitalization
  - Postsecondary education
  - Transfer to dependent/spouse for same purposes
- Financial education
- Savings from earned income
- Equal Federal and nonfederal funding
  - 100% Nonfederal cash contribution

# AFI Guidelines

- Eligibility:
  - Participants:
    - TANF-eligible in their state
    - OR
    - Income: 200% poverty or EITC eligible
    - AND
    - Net worth: maximum \$10,000 (less home/vehicle)
  - Grantees:
    - Nonprofits and public agencies
      - Public agencies, Tribal agencies and organizations, Community Action Agencies, United Ways, Housing authorities and agencies, TANF agencies, Community Based Organizations, Faith-Based Organizations, Credit Unions, Colleges, Associations, etc.

# AFI Guidelines

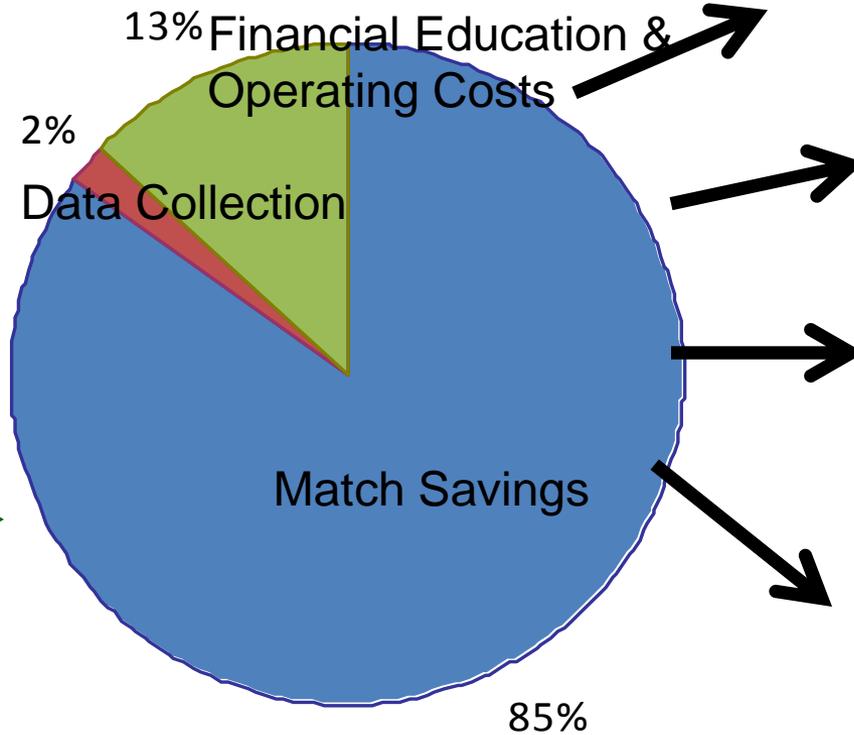
- IDA match structure:
  - Up to \$8 match for every \$1 saved in an IDA
  - Maximum \$4,000 per saver (per AFI grant)
    - 50/50 Federal/nonfederal
- Allowed Grant Expenditures
  - Funds for matching participant savings for asset purchases 85%
  - Program operations 7.5%
  - Financial education 5.5%
  - Data collection 2%

# AFI Guidelines

## Project Reserve Fund

**Federal Grant**  
**\$100,000**

**Non-Federal**  
**\$100,000**  
**(Cash only)**



**Asset Purchase**

**Operating Costs**

**Financial Education**

**Data Collection**

# Grantee Operations

## Essential Partners for all AFI Grantees

- Financial institution (bank or credit union)
- Partners that assist with referral / recruitment
- Partners that assist with providing financial education and asset-specific training
- Partners that assist with case management and specialized services for participants

## Two Models

- Single Agency Model
  - Receives AFI grant
  - Manages AFI grant
  - Provides case management to participants
- Network Model
  - Receives AFI grant
  - Manages AFI grant
  - Manages Subgrantees
  - Provides services across large geographic areas such as across entire cities, states, regions and nation
  - Subgrantees provide case management

# Results (10<sup>th</sup> Report)

- Demographics
  - 45% African-American; 30% white; 18% Hispanic
  - 74% female; 23% 3 or more children
  - 55% single
  - 49% HH income  $\geq$  150% poverty or more
  - 24% HH income less than poverty threshold
- Savings and purchases
  - 62,000 IDA accounts
  - \$56.7 Million in savings
  - 23,147 asset purchases to date

# Let's Talk..

[www.IDAresources.org](http://www.IDAresources.org)

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