

# Financial Asset Building

Creating Financial Stability

## Child Support, Fathers, Healthy Marriage

### Region V

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**Presented by**

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

**ASSET** 

The ASSET logo icon consists of a stylized tree where the branches are represented by various financial symbols: a dollar sign (\$), a percent sign (%), a plus sign (+), and a minus sign (-).



# Financial 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

Author, Assets and the Poor<sub>2</sub>

# Financial Assets

- **Tangible assets:**
  - Money savings,
  - Bonds, stocks, other financial securities
  - Real property
  - Machines, equipment, tools
- **Intangible Assets:**
  - Credit, access to credit
  - Human capital (networks, who you know)



# Assets Matter: Research Findings

- Move past paycheck to paycheck
  - Toward longer-term financial stability
- Stronger, healthier families
- Enhanced self-esteem
- Long-term thinking and planning
- Hope for the Future
- Asset accumulation effects:
  - Economic well-being
  - Social well-being
  - Child well-being
  - Health & psychological well- being

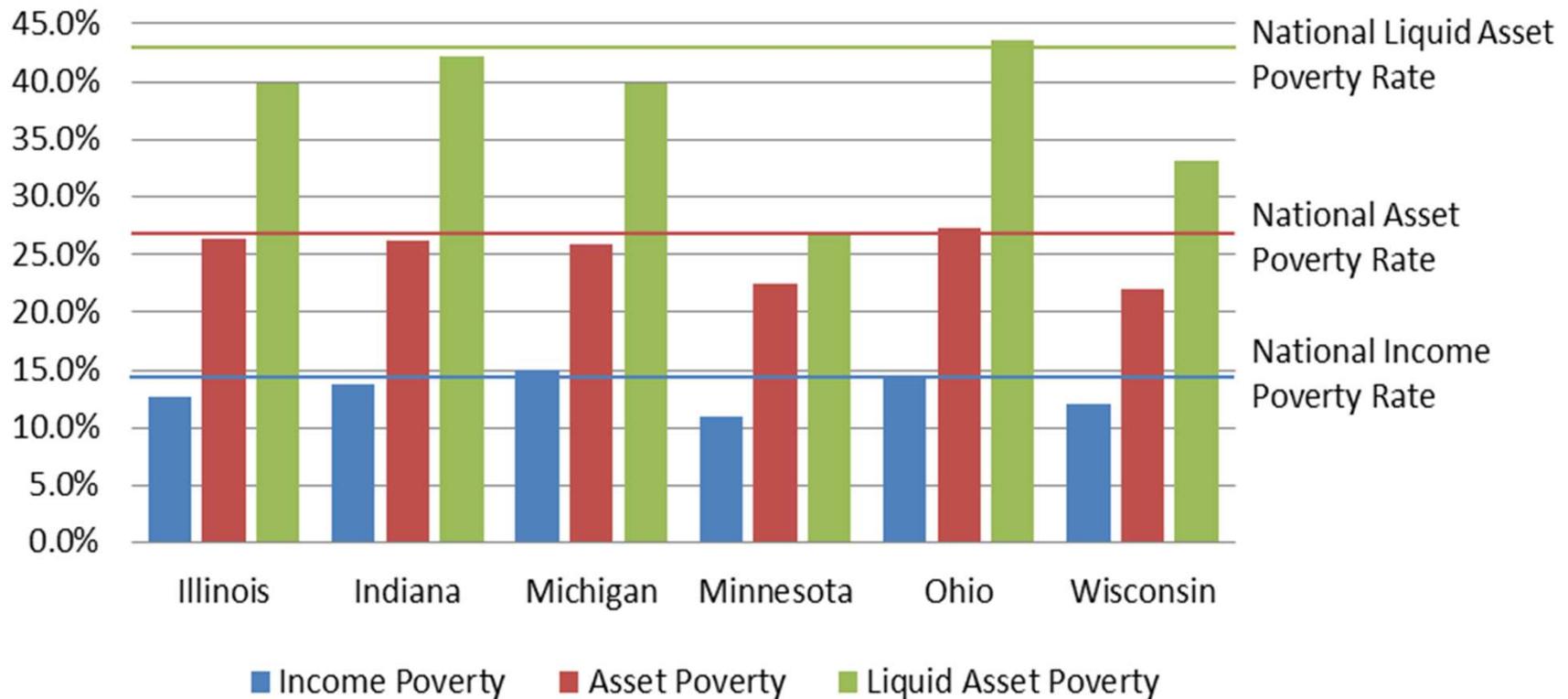




## Income & Asset Poverty

- **Income Poverty** = “the federal poverty line”
- **Asset Poverty** = whether a household has enough of a financial “cushion” to cover 3 months of expenses if income were interrupted (\$4600 for a family of three)
- Combine **Income Poverty with Asset Poverty** to get a more realistic picture.

## Poverty in Region V, by type and rate



Source: CFED 2012 Asset and Opportunities Scorecard. <http://assetsandopportunity.org/scorecard/>

## 10 indicators of financial security in Region V

Indicator	IL	IN	MI	MN	OH	WI	National
Unbanked Households	6.2%	7.4%	6.7%	2.6%	7.1%	4.3%	7.7%
Underbanked Households	15.7%	16.8%	16.7%	11.1%	21.0%	16%	17.9%
Consumer with Subprime Credit Scores	54.6%	57.2%	54.3%	43.2%	54.7%	49.2%	55.8%
Average Credit Card Debt	\$11,457	\$8,457	\$9,112	\$10,335	\$10,042	\$7,870	\$10,852
Low-Wage Jobs	20.3%	24.2%	21.8%	17.0%	24.9%	21.1%	22.0%
Housing Cost Burden - Renters	52.6%	51.4%	55.9%	50.4%	51.9%	49.4%	53.0%
Foreclosure Rate	7.29%	4.86%	3.3%	2.66%	4.92%	3.45%	4.43%
Four-Year Degree by Income	5x	5.6x	6.1x	5.3x	6.4x	5x	5.3x
Uninsured Low-Income Parents	26.0%	33.9%	24.6%	19.0%	20.8%	15.5%	33.1%
Early Childhood Education Enrollment	36.2%	12.2%	24.4%	12.8%	16.8%	37.8%	27.2%

Source: CFED 2012 Assest and Opportunities Scorecard. <http://assetsandopportunity.org/scorecard>



# Financial Asset Building Tools

- Getting banked (mainstream financial services)
- Savings (3 month emergency savings)
- Matched Savings (Individual Development Accounts )
- Financial education (credit, debt, savings, spending, protection)
- Managing credit and debt (getting credit, improving credit score, reducing bad debt)
- Free tax filing assistance, claiming federal/state tax credits
- Accessing Federal and State benefits (allow more savings)



# Getting Financial Education

**Message: Get smart about money. Financial education is the foundation to getting ahead.**

**Action: Considering taking a financial education class in your area. Good financial education classes include income, spending, savings plans, credit and debt, and consumer protection topics. See list below and also AFI Grantees.**



# Managing Credit & Debt

**Messages:** Build your credit. Fix your credit report. Increase your credit score. Without good credit, you cannot get ahead.

Know the difference between good and bad debt. Good debt (mortgage or student loans) helps you get ahead. Bad debt (high-interest credit card debt) holds you back.

**Actions:** Reach out to any of these certified credit and debt counselors.

Use these resources to find ways to repair credit and keep your credit strong.



# Establishing Savings

**Message: Get banked and establish savings.**

**Savings is the first step to getting ahead. Have an emergency savings that could pay the bills for 3 to 6 months in case of losing a job or income.**

**Actions: Open a savings account in a bank or credit union of your choice. Consider asking for a Second Chance Account if you have been rejected for a checking or savings account.**

**Consider buying a US Savings Bond for a child.**



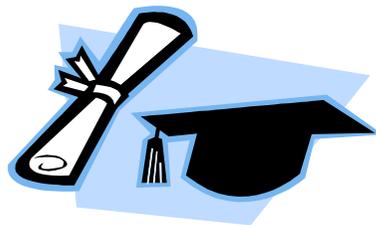
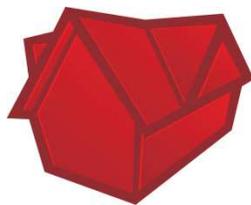
# Using Matched Savings

**Message: Double or triple your savings.**

**Action: If you are interested in purchasing a home, getting more education or training, or starting a business, contact an AFI Grantee (see below) in your area to see if you are eligible for an AFI matched-savings account.**

## Matched Savings: Assets for Independence (AFI) Matched Savings Individual Development Accounts

- Deposit Savings in IDA Accounts
- 1:1 up to 8:1 match
- Purchase Financial Asset
  - First home
  - Higher education or training and/or
  - Small business



# Federal: Assets for Independence (AFI)

## MN: Family Assets for Independence (FAIM)

### AFI Individual Development Accounts

- **400 projects** throughout the nation
- Projects partner with financial institutions
- Projects located within multi-purpose non-profits
- State, local or Tribal governments
- 80,000 + IDA accounts and growing. **Deposited \$66million since 1999.**
- 80% of participants are women, many single parent households
- IDA account was first savings account for many.



### AFI Grantees

#### Individual Development Accounts

Illinois (small)

Indiana (large)

Michigan (large)

Minnesota (large)

Ohio (large)

Wisconsin (small)



## 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



# Getting Free Tax Preparation

**Message: Save money. Get your taxes done by IRS trained volunteers.**

**Action: Look up the list of VITA (Volunteer Income Tax Assistance) Sites at the end of this document and get your taxes filed with them.**



# Claiming Tax Credits

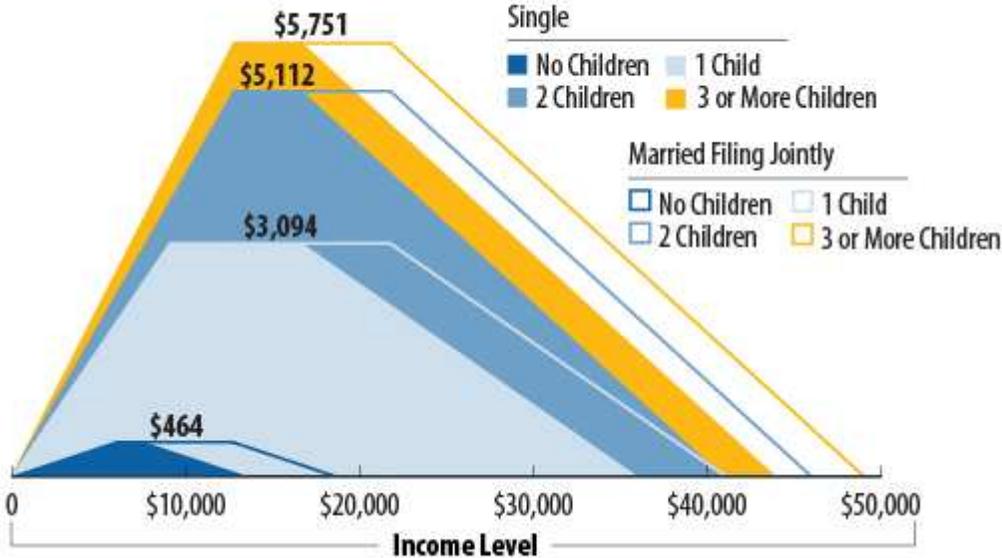
**Message:** File taxes so that you can claim all tax credits you are eligible for. Some tax credits will reduce your tax bill, but the Federal and Michigan Earned Income Tax Credits will put money in your pocket.

**Actions:** File the federal and state tax returns to claim tax credits. Consider going to a VITA site to have your taxes prepared and filed.

The value of tax credits varies widely depending on household size and income.

# Federal EITC Only. Add to this State EITCs

Value of Federal Earned Income Tax Credit, 2011



Center on Budget and Policy Priorities | cbpp.org



# Accessing Public Benefits

**Message:** Enroll in public benefits if you are eligible. Extra money can go into savings.

**Actions:** Go onto any of the following websites and see if you are eligible for public benefits.

Ensure that you are receiving all benefits you qualify for. Use the money you save to build up your emergency savings.



# Integrate Asset Building into Programs

- Get staff and volunteers trained in Money Smart, FDIC financial literacy curriculum. 9 languages. Online training modules.
- Connect fathers and others to accredited credit repair counselors in community.
- Use free tax preparation (VITA) & claim available tax credits. Begin or strengthen 3-6 month emergency reserve
- Take advantage of IDA matched savings accounts in communities.
- Integrate resources from Asset Building Resource Document

# For More Information & Resources

AFI Resource Center

[info@IDAresources.org](mailto:info@IDAresources.org)

1-866-778-6037

<http://www.IDAresources.org>

