

Asset Building: Not just getting by– Getting Ahead

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HEARTLAND HUMAN CARE SERVICES PROGRAM STRATEGY



**Think back to your
childhood. What were
the 1st things you
learned about money?**

What is Asset Building?

- Strategies that increase financial and tangible assets, such as savings, a home and businesses of all kinds
- May include building financial knowledge, skills, & behavior (“financial capability”) as well as credit score
- Not just getting by, but getting ahead.



asset accumulation plays a
vital role in escaping poverty.

Cato Institute

Income and Assets: Two Sides of Financial Stability

- Income keeps us moving forward on a day to day basis
- Assets keep us standing up when we experience job loss, prolonged illness, or other unexpected events
- Assets can take the form of a home, a savings account, a retirement account, a college degree– even a social network

Defining terms

A family of four in 2016 is...

INCOME POOR

Don't earn income above the federal poverty level



IF WHAT THEY **EARN**

is **below \$2,021/mo**

LIQUID ASSET POOR

Don't have 3 months of savings to live above poverty level (money in bank accounts, stocks, mutual funds and retirement accounts)



IF WHAT THEY **SAVE**

is **below \$6,063**

ASSET POOR

Don't have 3 months of net worth to live above poverty level (total assets – total liabilities)



IF WHAT THEY **OWN**

is **below \$6,063**

Prosperity Now, June 2016. <http://scorecard.prosperitynow.org/2016/calculator>

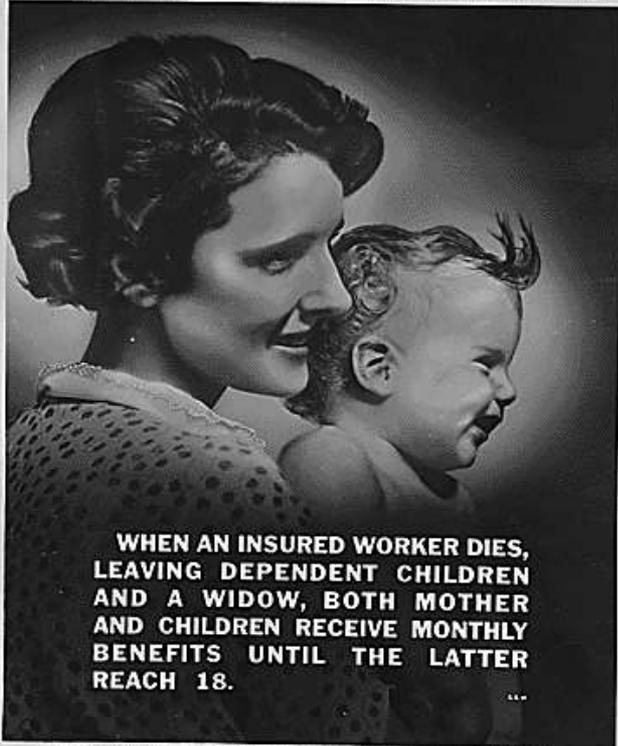
The Racial Wealth Divide

The dramatic **divide** in household wealth that exists between white households and those of color:

- result of decades of **government policies & systems**
- **institutional practices** that create different opportunities for different groups of people
- stripping wealth from communities of color
- while disproportionately investing in white communities

1935 – Social Security Act

MORE SECURITY FOR THE AMERICAN FAMILY



WHEN AN INSURED WORKER DIES,
LEAVING DEPENDENT CHILDREN
AND A WIDOW, BOTH MOTHER
AND CHILDREN RECEIVE MONTHLY
BENEFITS UNTIL THE LATTER
REACH 18.

FOR INFORMATION WRITE OR CALL AT THE NEAREST FIELD OFFICE OF THE
SOCIAL SECURITY BOARD



1938 – Fair Labor Standards Act

1964 – The Civil Rights Act



1944 – Serviceman's Readjustment Act (G I Bill)

Housing Discrimination (1934-1968)

Federal Housing Administration (FHA) and others like Home Owners Loan Corporation denied home buying opportunities to households of color



DENIED

Source: <https://prosperitynow.org/resources/road-zero-wealth>

So this doesn't happen anymore, right?

.... think again!

- Consumer scams
- How big data perpetuates inequality
- Targeted marketing
- Upside-down tax code



Making an Impact

- What are the goals of asset building?
 - Improve economic security by increasing assets
 - Improve financial capability
 - Effect lasting, internal change →
Intergenerational impact



The Need: Financial Institutions

33.5 million households are unbanked or underbanked.

The average unbanked worker will spend \$700 a year to cash their payroll checks. Many individuals who are underbanked turn to payday lenders.

Money orders, check cashing, international remittances, payday loans, refund anticipation loans, rent-to-own services, pawn shop loans, and auto title loans

Nearly **16%** of the underbanked obtained at least one loan from a payday lender. The average fee calculated as an APR is **234%**.

2015 FDIC National Survey of Unbanked and Underbanked Households, <https://www.fdic.gov/householdsurvey/>

The Need: Credit Building

54% of individuals in predominantly African-American neighborhoods in Illinois had a credit score below **620**.

- \$10,000 auto loan, 5 year term

Interest rate	Credit score	Monthly car payment	Total interest paid
25%	Low score	\$294.00	\$7611.00
12%	Okay score	\$222.00	\$3347.00
5%	Excellent score	\$189.00	\$1323.00

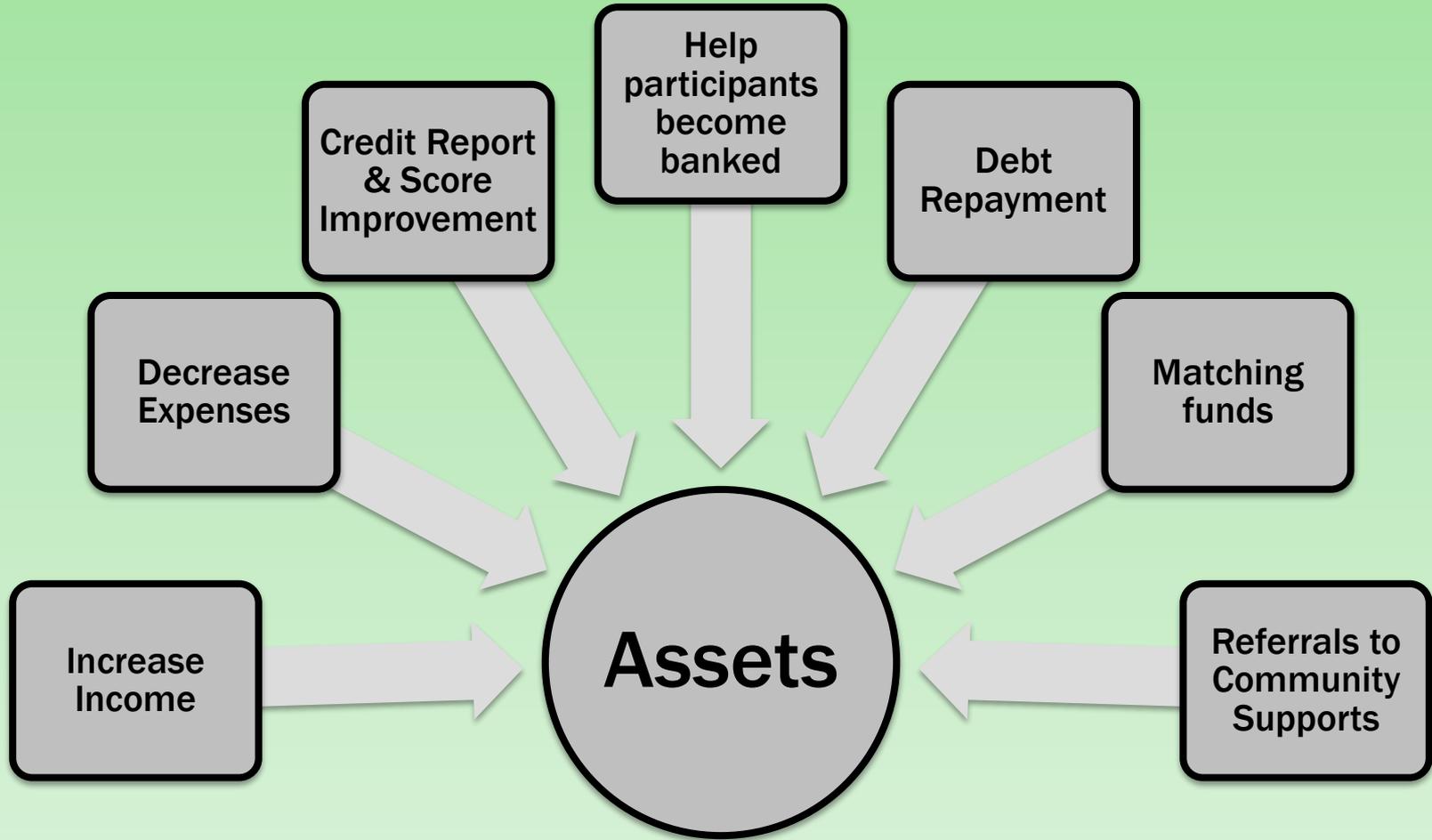
*Source: Bankrate.com

Social IMPACT Research Center, 2014. http://illinoisassetbuilding.org/wp-content/uploads/2016/03/IMPACT_Trapped-by-Credit_2014_1.pdf

Positive effects of assets

- Children with \$500 of savings in their own name:
 - 3 times more likely to attend college
 - 4 times more likely to complete
 - *(Center for Social Development, Washington University. 2013.)*
- Assets have an aspirational effect and can encourage people to make specific plans with regard to work and family (*"Why Assets Matter." CFED. 2013*)

How do we help participants build assets?



Financial Coaching Model

- Nonjudgmental
- “Coaching” framework
- Participant chooses financial products/ services
- Trauma-informed, Person-centered approach
- Know the limits of your knowledge & ability to help
- Attach AB to existing services



Asset Building In Action

- Serve participants through financial education, individual coaching, and matched savings
- Wealth & Wellness curriculum
- Cross-collaboration with Heartland Alliance policy team and Illinois Asset Building Group
- Partnerships that broaden scope
- Ongoing professional development



What else can we do?

■ Education

- Follow trends in financial services & products
- Understand economic changes

■ Enact Policy solutions

- Children's savings accounts
- Increase options for retirement savings
- Remove asset limits for public benefits

■ Strengthen Consumer Protections

- CFPB, state-level, and local

THANK YOU!

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