INTEGRATING ASSET BUILDING AND FINANCIAL EDUCATION FOR THE FINANCIALLY EXCLUDED

FINANCIAL EDUCATION SUMMIT 2009

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expanding economic opportunity

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About CFED

- CFED (Corporation for Enterprise Development) has worked for over 30 years to expand economic opportunity by helping people save and invest, own homes, succeed as entrepreneurs, contribute to and benefit from the economy

- CFED's special expertise is to connect public policy, private markets and community practice to bring effective approaches for building wealth and financial security to scale at the local, state and national levels

What is asset building?

- Savings, investment and asset building are the foundation of economic security, opportunity and progress: education, a home, a business or health care.
- Pair the ability to earn a living with the capacity to own specific assets that offer an enduring route out of poverty.
- Reframe families future orientation and make substantial differences in the long-term outcomes of vulnerable children.
- One of the most cost-effective and sustainable improvements we can make to society.

Impact of asset building for the financially excluded

- In the first national demonstration of matched savings for the financially excluded, 50% of low-income families who saved more than $100 almost all purchased an asset:
  - 40% purchased a home
  - 24% financed a business
  - 24% financed post-secondary education
  - 16% funded a retirement account
- Financial education required of all savers
- Savers at half the poverty line saved about as much and at 2-3 x the rate as those earning twice the poverty level.

Role of financial education and savings with adults

- Increased the amount and frequency of savings
- Benefits increased for up to 12 hours of financial education
- Lessons concrete, at right literacy level, and culturally appropriate

Financial education and asset building for low-income children

SEED is largest demonstration of children's savings accounts: create a culture of savings over the lifetime by starting early with an

account and financial education

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Findings from SEED on financial education

- There is no "one size fits all" financial curriculum for children and youth
- Financial education for children is critical-but don't forget the parents; involving parents adds a layer of complexity
- Providing financial incentives for participation helps—but only to a point
- School-based delivery of financial education shows promise
- Leverage the best in on-line programs and games for older youth--but supplement with face-to-face programs

Lesson 1: Structure matters

- Savings is not so much a habit or a skill as it is a structure—remember behavioral economics
  - Many systems and policies in the US create barriers to savings for the poor and non-poor that must be addressed to build assets at scale
- Preferred account structures
  - Accounts should be restricted
  - Accounts should build-in a savings target and access to incentives
  - Accounts should have low barriers to entry and leverage technology

Lesson 2: Financial education makes a difference at all ages and circumstances

- Research shows that each hour of basic financial education up to 8-10 hours increases savings; 12 months after classes, participants were still making better financial decisions
- Linking education to account ownership makes the lessons relevant and more likely to stick
- Spillover effect: people teach what they have learned to their families—especially their children
- Education is also an asset preservation strategy—IDA savers who bought homes so far have shown very low foreclosure rate
- Community-based organizations provide the market knowledge needed to customize delivery of financial education and other services to improve outcomes

Lesson 3: Achieve scale through an integrated product/program model

- Integrating large scale, lean account platforms and standard financial products with financial education and counseling services should be seen as a "both-and", not an either-or
  - Financial services alone can be delivered much more efficiently by the private sector
  - Human development is a labor-intensive process with few economies of scale
  - Asset building combines the two—in different amounts, ways and delivery systems

Lesson 4: Public policy drives scale and market development

- In all models, the government is an important source of funding for savings incentives and operating funds
  - Can provide direct funds or tax credits
  - Connect tax refunds to savings
- Public support builds the demand necessary to create a sustainable market to attract financial institutions
- Public policy sets key parameters to ensure fairness, access and inclusion of poor people in a market system—from public education to accounts at birth

To learn more about CFED

www.cfed.org

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2010 Assets Learning Conference in DC

The Assets Movement at its Moment: Creating a Save and Invest Economy--September 22-24, 2010