

ASSETS & CED

**A Presentation to
Community Legal Resources**

August 29, 2006

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ASSET BUILDING
POLICY PROJECT

PROJECT DESCRIPTION

The Asset Building Policy Project unites **individual-development** and **community-development** policy to create opportunities and assets that will help families and communities thrive

It is a five-year (5) project of CEDAM



A New Language, New Partners

“Asset Creation & Preservation”

An UMBRELLA Approach

Asset building serves as a common thread which ties together uncommon, and sometimes, unlikely partners.

Asset Building

Community
Development
Affordable
Housing

Human
Services

Economic
Development



Policy Context for Asset Building

- ❑ U.S. Policy has been very good at helping people build wealth:
 - ❑ Home mortgage Deduction
 - ❑ GI Bill, Homestead Act
 - ❑ Now, IRAs, 529 Education, and other tax deferred accounts
- ❑ U.S. forgoes \$355 Billion in tax revenues annually to help families build wealth and financial security



Not for Working Poor Families

- ❑ 90% of the benefits from those policies go to households with incomes over \$50,000
- ❑ Tax-based incentives are meaningless to most lower-income households
- ❑ “Safety Net” programs typically require families to deplete assets in order to access safety net programs



Snapshot of Asset Poverty

- ❑ Between '83 to 2000 Income Poverty fell by 16% while Asset Poverty rose by 14%
- ❑ By 2000 13% of Population is Income Poor but over 25% of the Population is Asset Poor
- ❑ In Michigan 11.5% is Income Poor but 18.7% is Asset Poor
- ❑ Minorities Families have 1/16th the Net Assets of White Families



Asset Poverty Research

- ❑ Nearly 1 in 5 households owes more than owns!
- ❑ Who is Asset Poor?
 - Renters
 - Female-headed Households
 - People of Color
 - Young Families
 - Less than High School Diploma



Asset Poverty Research in MI

- ❑ Local Asset Poverty Index (LAPI)* calculates Asset Poverty at the County Level
- ❑ Developed by the Community Research Institute at Grand Valley State University
- ❑ Full Report due in Fall

Asset Poverty Research in MI

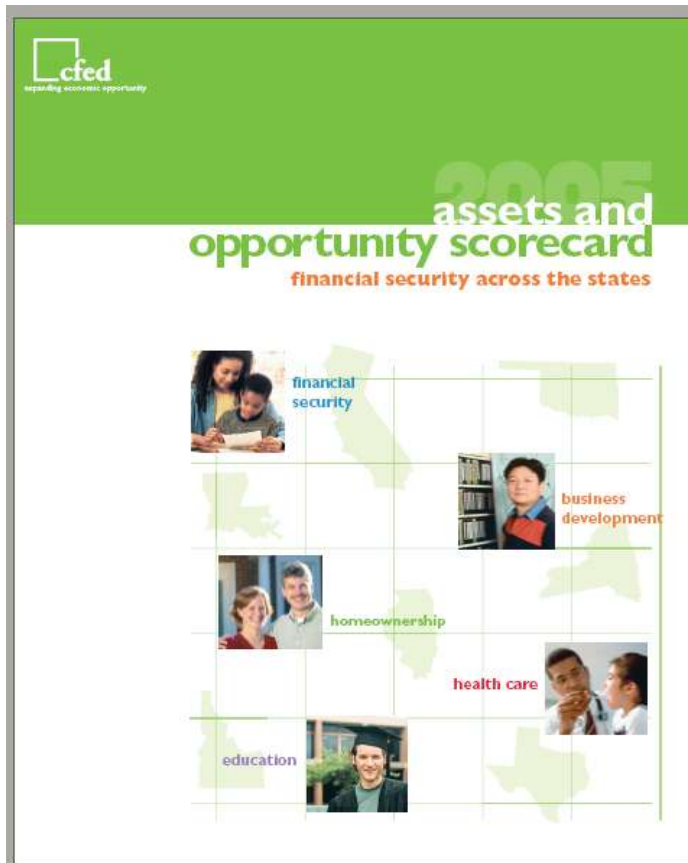
- ❑ In Michigan, 18.7% are Asset Poor
- ❑ Highest Rate are found:
 - Wayne County – 32.3%
 - Calhoun County – 28.7%
 - Ingham County – 28.3%
 - Berrien County – 26.2%
 - Saginaw County – 25.4%
 - Kalamazoo County – 25.1%

New Partners...

This Project has Connected Michigan with broad network!



Assets and Opportunity Scorecard: Financial Security Across the States



- ❑ Most comprehensive tool yet to measure ownership and financial security at the state level
- ❑ Benchmarks the 50 states plus Washington D.C. on 31 asset outcomes and 38 state asset policies

Michigan Rates An Average “C”

Index	Grade	Rating
Financial Security	C	Substandard
Business Development	D	Substandard
Homeownership	B	Standard
Health Care	B	Substandard
Education	C	Favorable
Tax Policy and Accountability		Favorable
Overall Performance	C	Substandard



Noteworthy Numbers: Michigan

- **Good News:**

 - Ranked # 5 in Homeownership rate

 - Ranked # 8 in degrees by race and Head Start

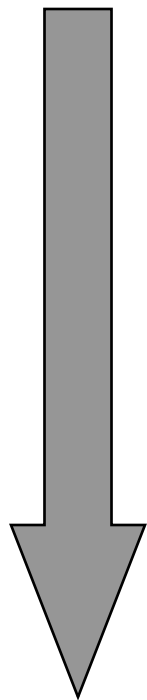
- **Not so Good News:**

 - Ranked # 44 in foreclosure rate

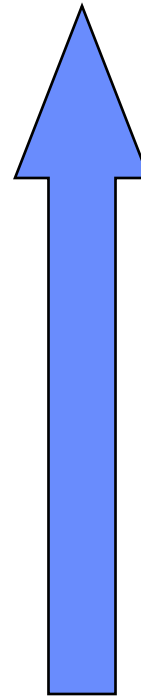
 - Ranked # 48 and # 46 in small business ownership and microenterprise ownership

 - Ranked # 29 and # 36 in number of two and four year degrees

RESEARCH: The Asset Effect



Economic Strain
Marital dissolution
Intergenerational
Poverty
Decrease in
Residential Mobility



Economic Stability
Community Stability
Educational
Attainment
Property Values &
Maintenance
Civic Involvement



The Michigan IDA Example

Social Policy as Economic Development Policy

- ❑ Individual Development Accounts (IDAs)
- ❑ Matched savings accounts for working families to help stabilize lives through financial planning, money management, credit counseling, savings
- ❑ And investment in high return activities:
 - Homeownership
 - Business Development/Expansion
 - Post-secondary Education

IDAs by the Numbers!

A Real Success:

- ❑ 1700 total Accounts in the State since 2001
- ❑ 826 families completed the program
- ❑ Families save \$1000 of earned income and get \$2000 or \$3000 in match:
 - **113 small businesses created/supported**
 - **144 used for Education & Skill Enhancements**
 - **569 Purchased Homes**
 - **Nearly \$50 million in Mortgage Leveraged**
- ❑ A small but important demonstration in Michigan

The Asset Building Coalition (ABC) for Michigan

- ❑ Released CFED's **Assets & Opportunities Scorecard** as a benchmark – May 2005
- ❑ Convened a bi-partisan diverse group of government, legislators, private & non-profit interests – June to October 2005
- ❑ Met over a 6 month period to research and review new & existing state policy options to help families build wealth
- ❑ Published Report: **Helping Working Families Achieve Financial Security** – January 2006



A New Conversation in Lansing

- ❑ In what ways do existing policy support the creation of assets for working households to become more financially secure?
- ❑ What new policy could provide the same type of asset building opportunities to working but poor families that middle and upper income HH currently use to build and maintain financial security?
- ❑ What policies could provide scale to serve all lower-income households as tax policy does with others?



FINAL REPORT: Four Goals

- ❑ **Help Working Families Save and Invest in their future**
- ❑ **Help Families Build Financial Security through Ownership of Assets**
- ❑ **Help Families Leverage their Limited Resources**
- ❑ **Help Families value, participate in, and complete higher education and skill training**



Help Saving and Investment

Short-Term Action:

- ❑ Support IDA Programs with annualized funding in the MSHDA & DHS Budgets

Long-Term Solutions:

- ❑ Create a portable retirement plan that is available to all Michigan residents
- ❑ Create Universal Children's Savings Accounts



Help Build Financial Security through Ownership

Short-Term Action:

- ❑ Utilize existing economic development resources to encourage micro-enterprise and entrepreneurship

Long-Term Solution:

- ❑ Increase affordable home ownership opportunities by securing a general fund commitment to fund the **Michigan Housing & Community Development Fund**



Help Families Leverage Limited Resources

Short-Term Action:

- ❑ Encourage saving for long-term goals (retirement & education) by eliminating asset limit rules

Long-Term Solutions:

- ❑ Enact a state companion to the Federal Earned Income Tax Credit



Help Families Complete Higher Education & Skill Training

Short-Term Action:

- ❑ Connect all Michigan citizens to quality financial education, starting with inclusion in the proposed high school standards

Long-Term Solution:

- ❑ Reform the Michigan Education Savings Program (MESP) to be more progressive and inclusive (workforce development)

A Demonstration in Michigan



Oakland Livingston Human Service Agency

Community Action Since 1964

OLHSA: Over 60 Programs

- ❑ Pre-natal and infant health
- ❑ Child Development
- ❑ Family Support
- ❑ HIV/AIDS home support
- ❑ Guardian Services
- ❑ Home Weatherization
- ❑ Home Construction
- ❑ Home Buyer Counseling
- ❑ Individual Development Accounts (IDA) 1999



The Michigan IDA Program

- ❑ Michigan IDA Partnership (MIDAP)
 - Collaboration State of Michigan and Council of Michigan Foundations
- ❑ One of Five (5) RCO's
 - 12 sites, 600 accounts, in SE Michigan
 - TANF, United Way, CDBG, MSHDA, AFIA



SEED: Basic Policy Design

SEED = Savings for Education, Entrepreneurship, & Down Payment

- Long-term Savings Accounts
- Seeded with initial deposits
- Augmented from public and private sources
- Post-secondary education, small business, buying a home, investing for retirement

SEED: National Policy

- ❑ Inclusive
- ❑ Seeded with initial deposit
- ❑ Build lifelong assets
- ❑ Matched progressively
- ❑ Simple
- ❑ Build knowledge and skills
- ❑ Families on welfare not left out

OLHSA & SEED

- ❑ Experimental Partner:
 - 500 accounts
 - 500 non account holder, “control group”

- ❑ Age Cohort:
 - Pre-school ages 3-5
 - Head Start families

SEED

□ Family Description:

- Below Federal Poverty level (\$18,100 family of four)
- 70% employed
- 36% two parent (64% one parent)
- 35% African American
- 8% Latino
- 54% Caucasian
- Native American, Asian, multi-ethnic

SEED

□ Account Structure:

- \$800 SEED grant deposit
 - Additional \$200 match from state of MI
 - Total **\$1,000** initial deposit
- Family savings target \$250 per year
 - \$250 X four years = \$1,000
- Use for post-secondary education training only

SEED

- ❑ State of Michigan 529 Plan:
 - Housed in office of State Treasurer
 - Managed by TIAA-CREF
 - \$200 match with initial deposit
 - All state rules and requirements will apply

SEED

- ❑ Financial Education:
 - Adult programs
 - Coordinate with IDA Program
 - Provided in cooperation with Head Start Family support programs
 - Ongoing contact with regular meetings:
 - Parent skills, nutrition, home maintenance, conflict resolution, creative arts

SEED

❑ Financial Education:

- Children:

- T&C Federal Credit Union:

- Under age of 12 “Moola – Moola”
 - Teen Advantage

SEED & Policy

- ❑ Scale, Replication, Advocacy
 - Head Start a nation wide program
 - 529 Plans
 - Community Action Network
- ❑ IDA
 - Use model to shift AFIA towards 529, Roth etc as “asset purchases”

SEED

❑ Local Partners Include:

- OLHSA Head Start and Program supports for the family
- State of Michigan Treasurer's office
- T&C Federal Credit Union
- Michigan IDA Program

SEED

❑ National Program Partners:

- Corporation for Enterprise Development
- School of Social Welfare – University of Kansas
- Center for Social Development – Washington University

SEED

□ National Funding Partners:

- Charles and Helen Schwab Foundation
- Edwin Gould Foundation for Children
- Evelyn and Walter Haas, Jr. Fund
- Ewing Marion Kauffman Fund
- Ford Foundation
- Jim Casey Youth Opportunities Initiative
- Richard and Rhoda Goldman Fund

SEED

- Local Funding Partner:
 - W.K. Kellogg Foundation





State Asset Policy & Michigan

- ❑ Michigan is alive with Asset Building Policy & Practice (IDAs, SEED, EITC, 529s)
- ❑ Only six (6) states, including MI, have coalitions discussing broader state policy implications focused on Asset Building (PA, HA, IL, CA, DE)
- ❑ States offer a playing field to test out policy ideas
- ❑ States can enact policy more quickly than federal policy
- ❑ State Policy spreads from state to state and could end up the next federal asset policy (e.g., Social Security)



How Can You Help?

- ❑ Tell us which of these policies should be our **highest priority**
- ❑ Help us build and maintain a **bi-partisan dialogue** on these issues
- ❑ As we develop **legislative leadership**, help us remain strategic as we move this agenda

For More Information

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