



# **Financial Stability Partnership**

*“Income may feed people’s stomachs,  
but assets change their heads;  
...assets are hope in concrete form.”*

# Our Goals

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To help families with young children...

- ❑ Increase income by improving job skills through education and training.
  - ❑ Create and maintain an emergency savings account of at least \$300
  - ❑ Improve credit scores
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# **Where to Begin...**

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***"No one ever spent their way out of poverty."***

"A low wage worker (or anyone utilizing pay day loan services) who has just a \$500 SAVINGS ACCOUNT with a financial institution is 8 TIMES less likely to utilize a pay day loan or check cashing service."

Consumer Federation of America

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# First I Need a Bank Account

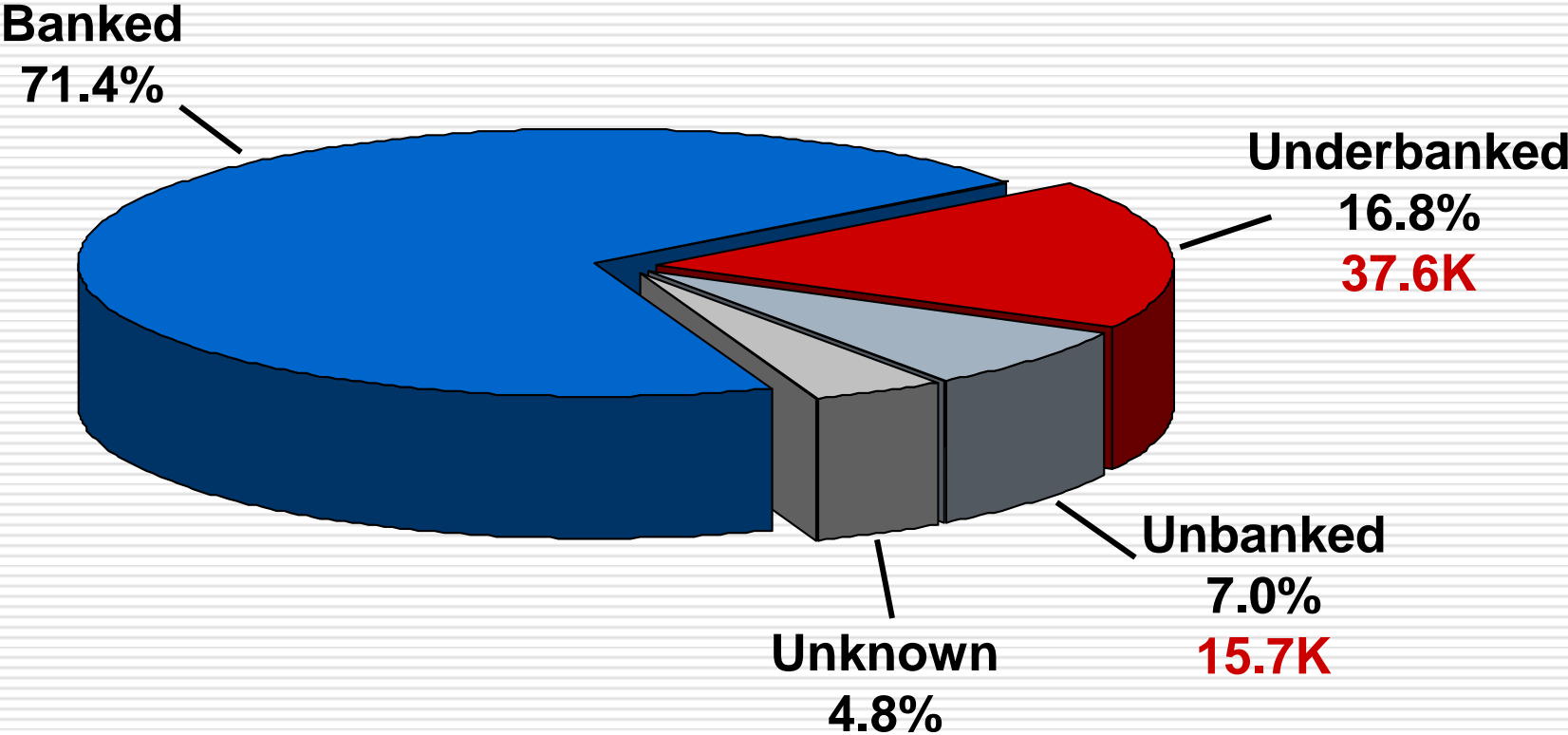
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- ❑ Unable to accumulate assets through savings without relationship with credit union or bank
  - ❑ Families use limited \$ resources for high cost service fees instead of for basic needs (food, shelter, clothing)
  - ❑ May pay 1-10% of income for check cashing, 50-400% for payday loans, & 25% of refund for tax returns
    - People who get caught in the payday loan trap, on average, renew the loan 11 times.
  - ❑ Total fees can easily exceed \$1000 - \$2000 annually
  - ❑ Disproportionately impacts low income & minority populations
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# Polk County Banking Status

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224K HH = Households



# Benefits of a Successful Program

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- ❑ ↑ Family financial stability, ↑ community stability
  - ❑ Can have an economic development impact:
    - ❑ Reduces criminal activity
    - ❑ Dollars remain in community vs. profits for large companies
    - ❑ New banking branch opened in underserved community
  - ❑ Financial institutions gain access to “new” markets
  - ❑ Residents have access to more community-based asset-building resources
  - ❑ Community groups have access to more asset-building resources for their clients
  - ❑ Broader awareness and emphasis on the importance of financial stability
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# **Assets impact children...**

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- ❑ More likely to succeed in school
  - Income is a direct predictor of cognitive readiness
- ❑ Less likely to be poor themselves
  - Assets decrease intergenerational poverty

## **HS Students with a savings account...**

- ✓ **4** x more likely to attend, and
  - ✓ **7** x more likely to stay in college
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# Barriers

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- ❑ Financial Self-efficacy – “Belief in my own competence to handle my financial matters”
    - Barrier to seeing the benefit of attending a financial education class unless there’s “fire under my feet”
    - Also leads to high class dropout rate
    - Primary contributor to lack of discussion with children
  - ❑ Financial classes alone are not enough
    - Increases knowledge, but doesn’t change behavior
    - The Key... Social Learning; the interaction between parent & child.
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# **IDAs – Individual Development Accounts**

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- ❑ Matched savings accounts (2:1 to 8:1)
    - Education
    - Home purchase
    - Small business
  - ❑ Partnership between financial institutions and local non-profit administrator
  - ❑ Formal participant agreement with goals
  - ❑ Financial education a must
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# PLS – Prize Linked Savings

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- ❑ An innovative savings approach that offers potential savers the chance to win a large prize based on the value of their savings deposits, linking the thrill of lottery or raffle play with a financial choice to save
    - increase savings for lower income consumers
    - attract new savers
    - attract new consumers
  
  - ❑ State of Michigan – 2009
    - A chance to win for every \$25 deposit kept in the account for at least one year
    - Original group of 22 credit unions
    - 9 months - 11,500 new savers @ \$8.5million
    - Now includes 32 credit unions
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# CSAs – Children savings Accounts

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- ❑ The Child Savings Account Coalition is working for progressive, \$500 savings account for every child at birth.
  - ❑ CSAs can build...
    - Savings and saving behavior while reducing indebtedness.
    - College expectations, attendance and completion.
    - Hope and a sense of financial security.
  - ❑ Provides opportunity and creates expectations for the future
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# Current Tools

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- ❑ Financial Education classes - Explorations V
  - ❑ Budgeting - Agency Partners
  - ❑ Credit Repair - Enterprise Community Services
  - ❑ BankOn Polk - a way to save check cashing fees & create long term savings
  - ❑ Free Tax Prep - a way to save fees & build savings
  - ❑ Money Coaches - Explorations V
  - ❑ Professional Development opportunities for partners - Explorations V
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# Measuring Outcomes & Reporting

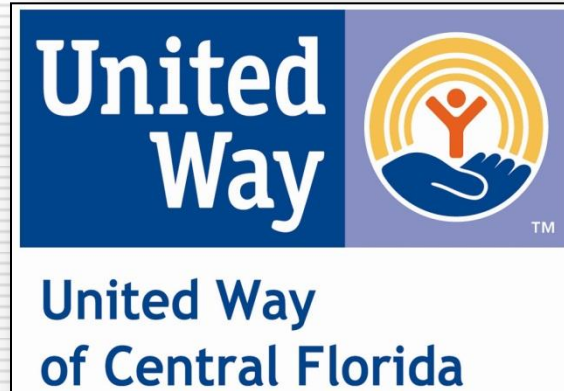
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- ❑ Report to UW Cabinet each quarter
- ❑ How many outputs are taking place:
  - a. Families in Financial Education
  - b. Families achieving budgets
  - c. Families opening bank accounts
  - d. Families engaged with a Money Coach
- ❑ How many families have achieved:
  - i. Increased credit score
  - ii. Savings of \$300

(Okay to report Families getting higher paying job but the focus is on Credit Score and Savings Account.)

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*Thank You!*

