



Show Me the Money: Why Financial Capability Matters for Social Workers and the Communities They Serve

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Grand Challenges for Social Work

The screenshot shows a web browser window displaying the website for the American Academy of Social Work & Social Welfare's Grand Challenges Initiative. The browser's address bar shows the URL aaswsw.org/grand-challenges-initiative/. The website header includes the organization's logo and a navigation menu with links for ABOUT US, MISSION, BOARD & FELLOWS, NEWS & EVENTS, GRAND CHALLENGES INITIATIVE, and MEDIA ROOM. The main content area features a large orange globe icon and the text "Grand Challenges for Social Work". Below this, a paragraph states: "Led by the American Academy of Social Work and Social Welfare, the Grand Challenges for Social Work is a groundbreaking initiative to champion **social progress powered by science**. It's a call to action for all of us to work together to tackle our nation's toughest social problems." To the right of the text is a photograph of a vibrant urban mural titled "Our Urban Landscape" by Chroma Dolls, with a credit to photographer Steve Reinik. The footer of the website includes a navigation bar with links for ABOUT, 13 CHALLENGES, JOIN, GIVE, and CONTACT, along with social media icons for Facebook, Twitter, LinkedIn, and Google+, and a notification badge showing 175.

What is the *Grand Challenges for Social Work Initiative?*

A project of American Academy of Social Work and Social Welfare (AASWSW)

- To champion social progress powered by science
- A call to action to work together to tackle our nation's toughest social problems

Grand Challenges tackle:

- individual and family well-being,
- a stronger social fabric, and
- a just society that fights exclusion and marginalization, creates a sense of belonging, promotes trust, and offers pathways for social and economic progress.

Two Grand Challenges Related to this Workshop

Financial Capability and Asset Building for All

- Through innovations that bolster lifelong income generation and asset accumulation, financial inclusion and financial capability.

Reduce Extreme Economic Inequality

- Through innovations related to education, wages, tax benefits, retirement accounts, and home ownership.

Learning Objectives

- Identify components of financial well-being and financial capability and how they relate to social work
- Describe strategies for building financial capability in low-income communities
- Establish a goal for improving financial capability in a personal finance context and/or community context.

Topic Broadly Relevant

- Students
- Practitioners
- Community Leaders
- Policymakers

Are US Households Struggling Financially?

FINANCIAL INSECURITY IN THE US



Financial Insecurity

- Over half of US households - somewhat or very difficult to cover usual expenses and pay bills¹
- Most (60%) US households had an unexpected financial emergency in the past year²
- Most (63%) US households have less than 3 months of expenses in savings¹



¹ FINRA Foundation (2016); ² Pew Charitable Trusts (2015)

Financial Insecurity

- Low-income households especially affected
 - Half had a large loss of income in prior year¹
 - Most have difficulty meeting basic needs after financial shock²
 - Only 9 days of living expenses in liquid savings³



And all of these data are pre-pandemic...

¹ Chase et al. (2011); ² Pew Charitable Trusts (2015a); ³ Pew Charitable Trusts (2015a)

Financial Insecurity

- Material hardship: difficulty meeting basic needs, associated with:
 - lack of social support¹, intimate partner violence², mental health problems³, and physical health problems⁴
 - family stress⁵, child maltreatment⁶, poor developmental outcomes⁷



¹ Corman et al. (2012); ² Ricks et al. (2016); ³ Heflin & Iceland (2009); Sullivan et al. (2008); ⁴ Palar et al. (2016); Whittle et al., (2016); ⁵ Cummings & Davies (1999); ⁶ Kang (2013); ⁷ Burke et al. (2016); Gershoff et al. (2007);

Financial Insecurity

- Also more likely to be financially insecure:
 - African-American, Latino households
 - Female-headed households w/young children
 - Households w/members w/disabilities
- Liquid asset poverty in Michigan (Prosperity Now 2020):
 - 37% white households
 - 61% Latinx households
 - 71% African-American households



What do households need to be financially secure?

FINANCIAL SECURITY 101

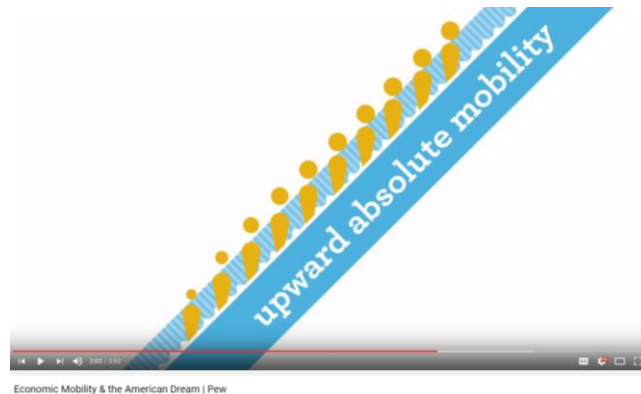
What is Financial Security?

1. Consistently meet basic needs
2. Maintain consumption through shocks

3. Build financial and productive assets

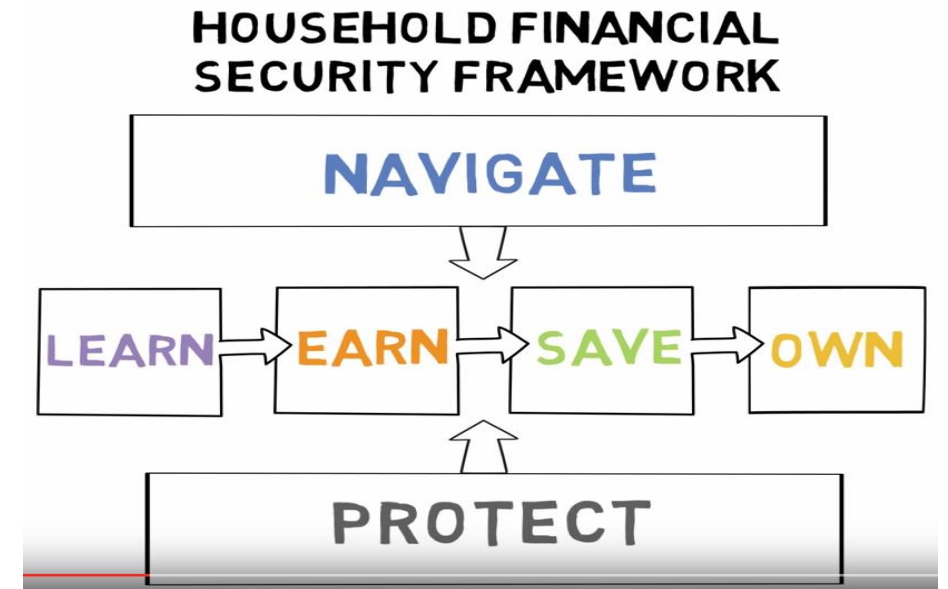
Stability

Mobility



Financial Security

- Not just about income!
 - Using safe and affordable financial services
 - Saving and building assets
 - Accessing credit and managing debt
 - Protecting assets with insurance
 - Being financially capable – knowledge, skills, & opportunities to make good decisions



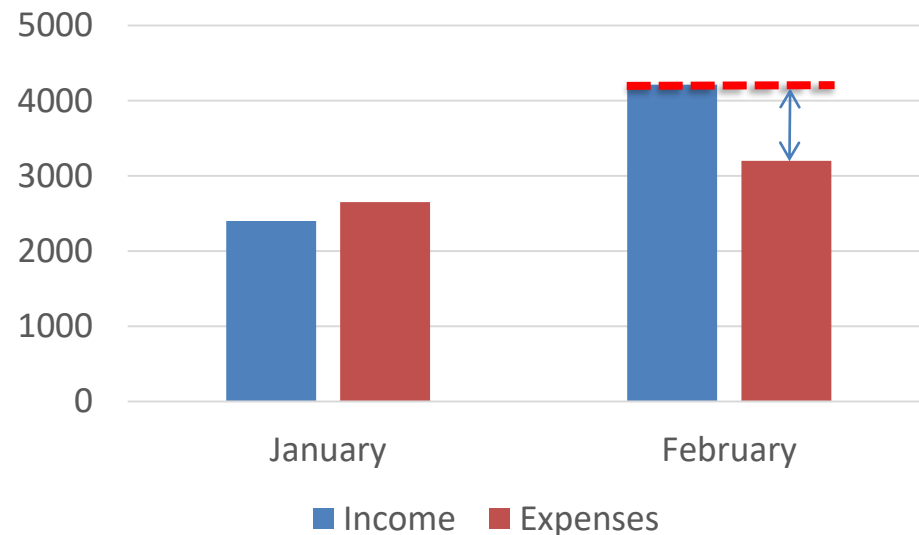
What do we look for? What are signs of trouble?

ASSESSING HOUSEHOLD FINANCIAL SECURITY



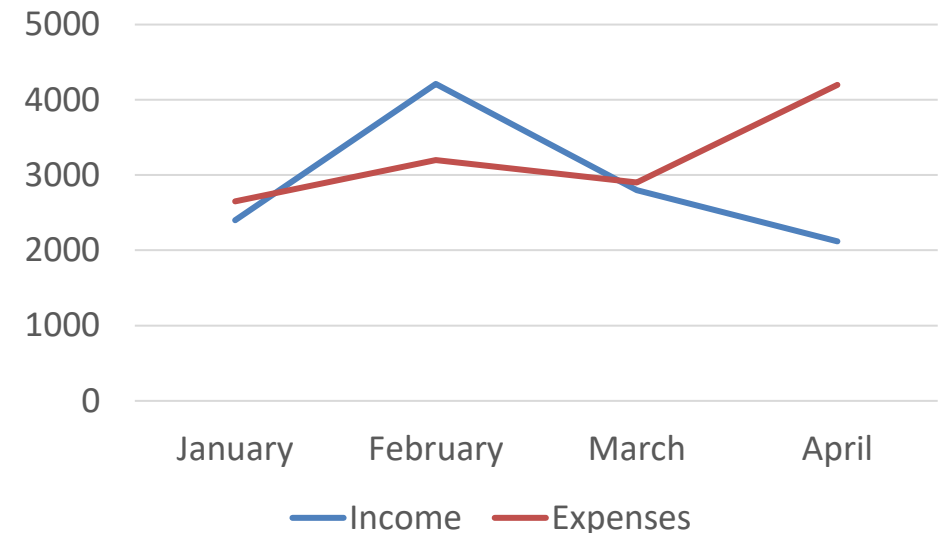
Household Finance

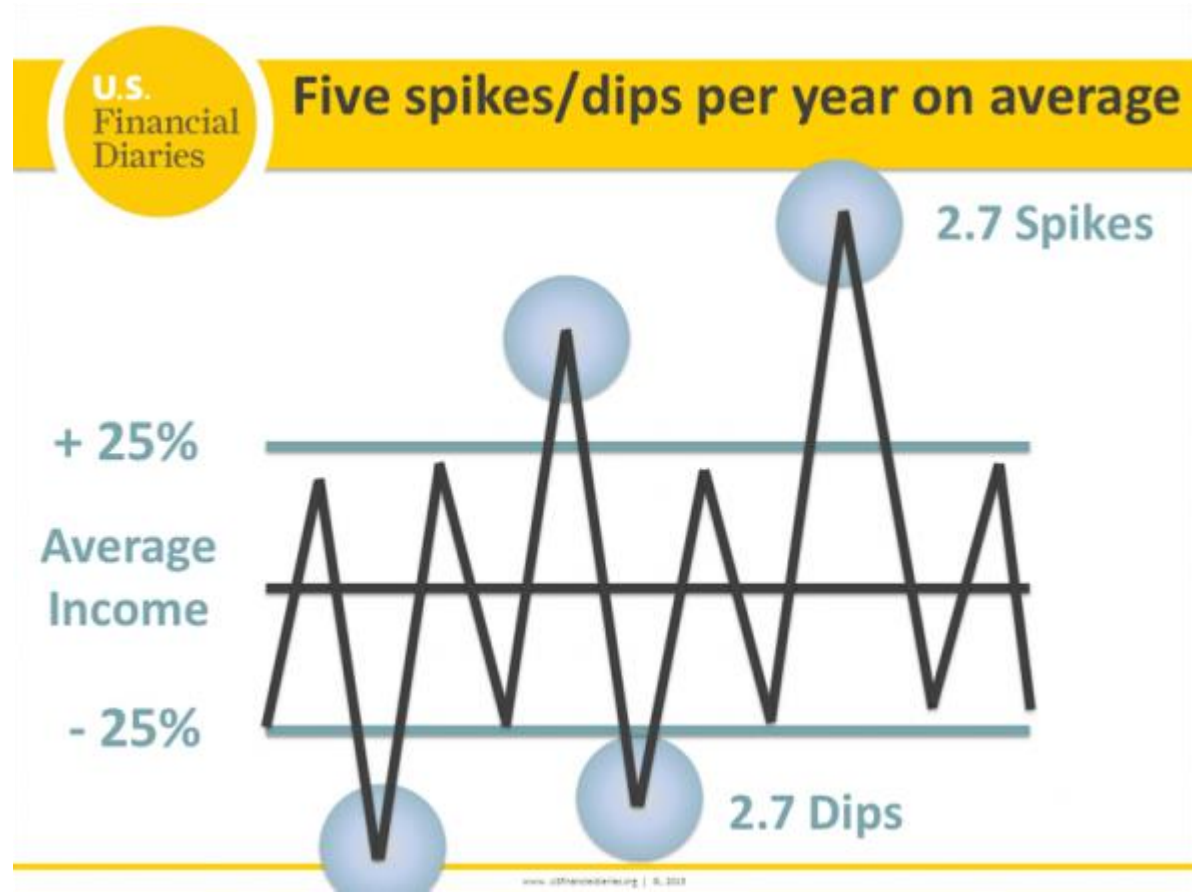
- Households, not individuals – economic unit of analysis
- Income statement: income and expenses
 - Count fungible (good as cash) resources: SNAP, Section 8
 - Include debt payments as expenses



Household Finance

- Month-to-month variability:
 - Household member entries & exits
 - Income volatility - recurring & non-recurring, seasonal income
 - Planned & unplanned large expenses
 - Timing mismatches: income & expenditure spikes don't co-occur
- Options: dip into saving, use credit





Source: Morduch & Schneider (2016)

Household Finance

	September 30	October 31
Assets		
401(k)	\$3,100.00	\$3,130.00
Savings account	\$250.00	\$250.00
Checking account	\$93.17	\$24.88
Resale value of car	\$10,970.00	\$10,970.00
Durable household goods	\$2,000.00	\$2,000.00
Total assets	\$16,413.17	\$16,374.88
Liabilities		
Car loan	\$11,300.00	\$11,037.36
Credit cards	\$7,372.75	\$7,247.66
Educational loan	\$15,157.78	\$15,017.45
Back child support	\$1,100.00	\$1,100.00
Total liabilities	\$34,930.53	\$34,402.47
Net worth	-\$18,517.36	-\$18,027.59

- Balance sheet: assets – liabilities = net worth
 - “Good” debt (expected return – home, education)
 - “Bad” debt (to finance consumption, though sometimes necessary)

Financial Slack

- Greater slack:
 - Opportunity to save, pay down debt
 - Smooth consumption through shocks
- Lack of slack = spend down assets and/or increase debt to smooth consumption (meet basic needs)
- How to increase slack:
 - Reduce expenses
 - Increase income





Red Flags

- Expenses *regularly* exceed income (no slack)
- Housing burden > 40%
$$\text{Rent or mortgage} + \text{utilities} / \text{Monthly gross income}$$
- Debt-to-income ratio > 20%
$$\text{Monthly debt payments} / \text{Monthly gross income}$$

(recurring debt payments: credit cards, student loans, auto loans, other loans, child support)

Intervention Models

FINANCIAL EDUCATION, COUNSELING & COACHING

Financial Education



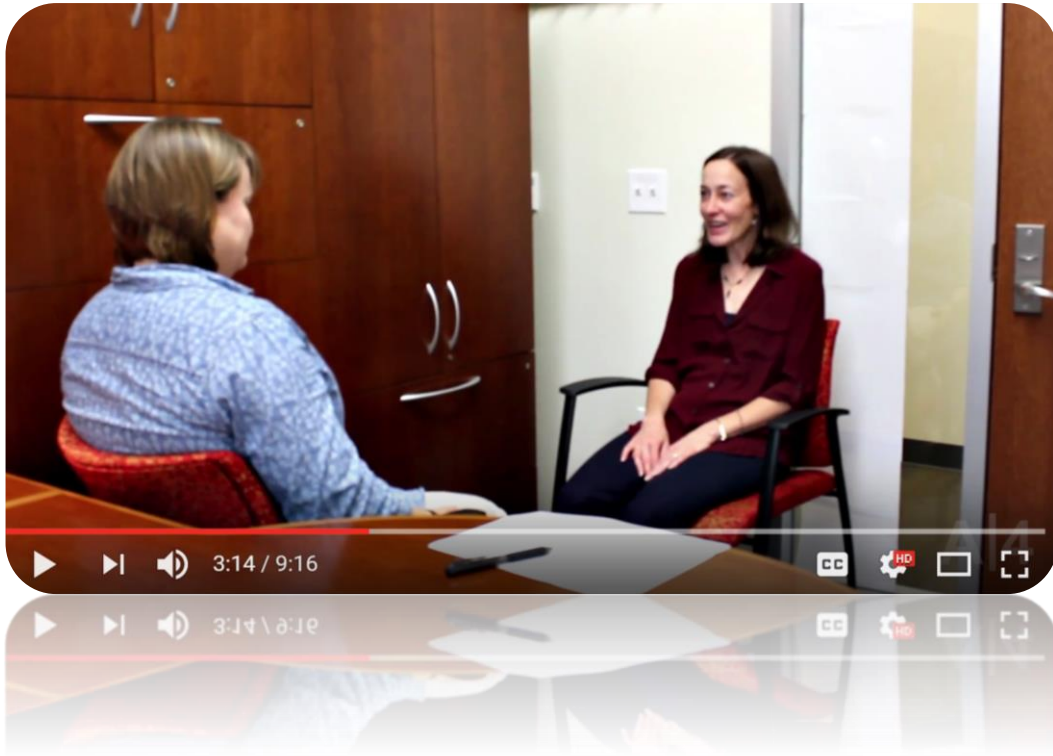
- “Low-touch”, initial step to introduce concepts
- Delivered in groups or online
- Wealth of curricular resources, apps, games!
- Best when:
 - tailored to the audience
 - delivered “just in time” – when participants are making a financial decision
 - culturally & economically sensitive & relevant

Financial Counseling



- Usually focused on budgeting & debt management
- Clients in financial crisis
- More directive than coaching
- Look for NFCC or FCAA accredited provider

Financial Coaching



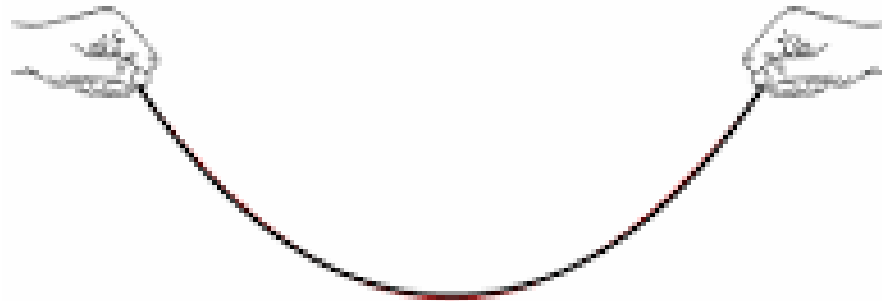
- Understanding, clarifying clients' financial goals
- Helping clients identify action steps
- Holding clients accountable to their goals and action steps
- Presenting information and options, yet not offering direct advice (do no harm!)
- Not for clients in crisis

Ways to increase financial security

INTERVENTION TIPS

Short vs. Long-Term Financial Goals

- Short-term: increase “slack” – the amount that income exceeds expenses
 - Consider range of ways to increase income, decrease expenses
- Long-term: reduce debt, build assets, make investments



Intervention Tips

1. Use simple guides & worksheets to help clients understand their income statement, manage debt.
2. Help clients identify financial goals related to other goals (less stress, time with family, opportunities for children)
3. Help clients identify *achievable* actions. Simpler the better – offer clients **simple rules of thumb to follow.**

Increase Income

- Maximize public assistance (benefits.gov) & community resources
 - Earned income tax credit
 - Medicaid
 - SNAP, WIC
 - Section 8, low-income tax credit housing, nonprofit housing providers



Increase Income

- Informal employment – supplemental income
 - Microenterprise
 - eBay
 - Child care
 - Professional services (e.g., typing, bookkeeping)
 - Gig economy – Uber, mystery shopping, other freelance work etc.



Increase Income

- Work opportunities
 - Workforce development options (<http://www.michigan.gov/wda/>)
 - Consider value of benefits: matched retirement savings, health insurance premiums, paid sick leave
 - Specialized options:
 - Ticket to Work (SSI/SSDI)
 - Veteran's programs
 - Supported Employment (persons living w/MI/CI)



Reduce Expenses / Debt

- **Charity care** programs to write off medical debt
- NFCC-accredited consumer **credit counseling** – negotiate debt, reduce principle owed
- Assess **housing burden** – consider lower rent options
- Re-finance, consolidate loans, credit cards to lower rates



Saving Tips

- Open an account – deposits are “sticky”
- Make savings automatic – enroll in direct deposit
- Join a saver’s program
- Save for specific reasons:
 - Emergency fund (at least 1 month of expenses)
 - Large purchases (new washing machine)
 - Important events (wedding, family visit, vacation)



Dealing w/Financial Emergencies

Monica's car breaks down and needs a \$350 repair. What's her best option?

Cost information	Emergency Savings	Credit Card	Payday loan
Amount needed	\$350	\$350	\$350
APR	None	15.99%	391%
Repayment	None	\$25/month	\$350 + \$52.50 fee in 14 days
Total interest + fees	None	\$40/16 months	\$52.50 for 14 days
Total cost of repair	\$350	\$390	\$402.50



Rules of Thumb: Basic

1. Distinguish needs/wants in budget
2. Achieve slack, even if just a little
3. Pay balances on cards w/highest APRs
4. Avoid payday and similar loans
5. Opt-out of overdraft “protection”
6. Don’t be over/under-insured
7. Make saving easy & automatic



Rules of Thumb: Advanced

1. Pay off credit card balance each month
2. 3 months of expenses in savings
3. 50/30/20 rule: 50% basic needs, 30% wants, 20% debt reduction or saving/investing
4. 20% downpayment on house
5. 10% toward retirement

Keep learning!

**NEXT STEPS: HOW TO FURTHER DEVELOP SKILLS
IN FINANCIAL SOCIAL WORK**

Continuing Education Options: Post-MSW

1. Association for Financial Counseling and Planning Education
 - Certifications in financial counseling, coaching; \$450 - \$1,250
 - Nationally recognized, trademarked credentials
2. Center for Financial Social Work
 - Online certificate – 20 CEUs via NASW; \$595
3. NeighborWorks Institute
 - Financial capability certification; \$2,055

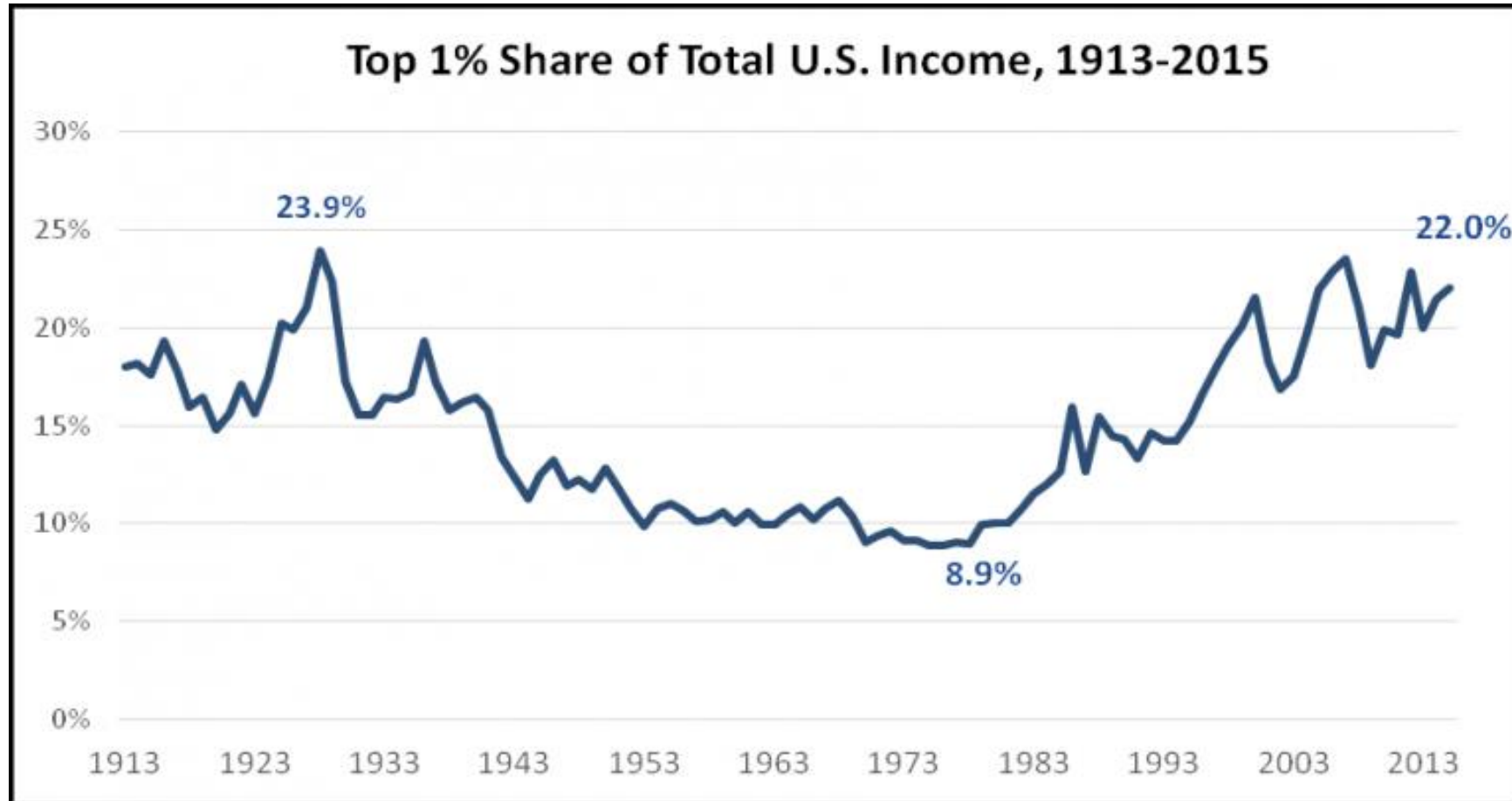
Breakout Groups

You will be put into a small group of 4-5 people. Briefly introduce yourself and take 10 minutes to respond to the following questions:

1. One important concept or practice idea you **learned** today
2. One thing you can **incorporate** into your social work practice that will help address financial insecurity
3. One **question** you still have

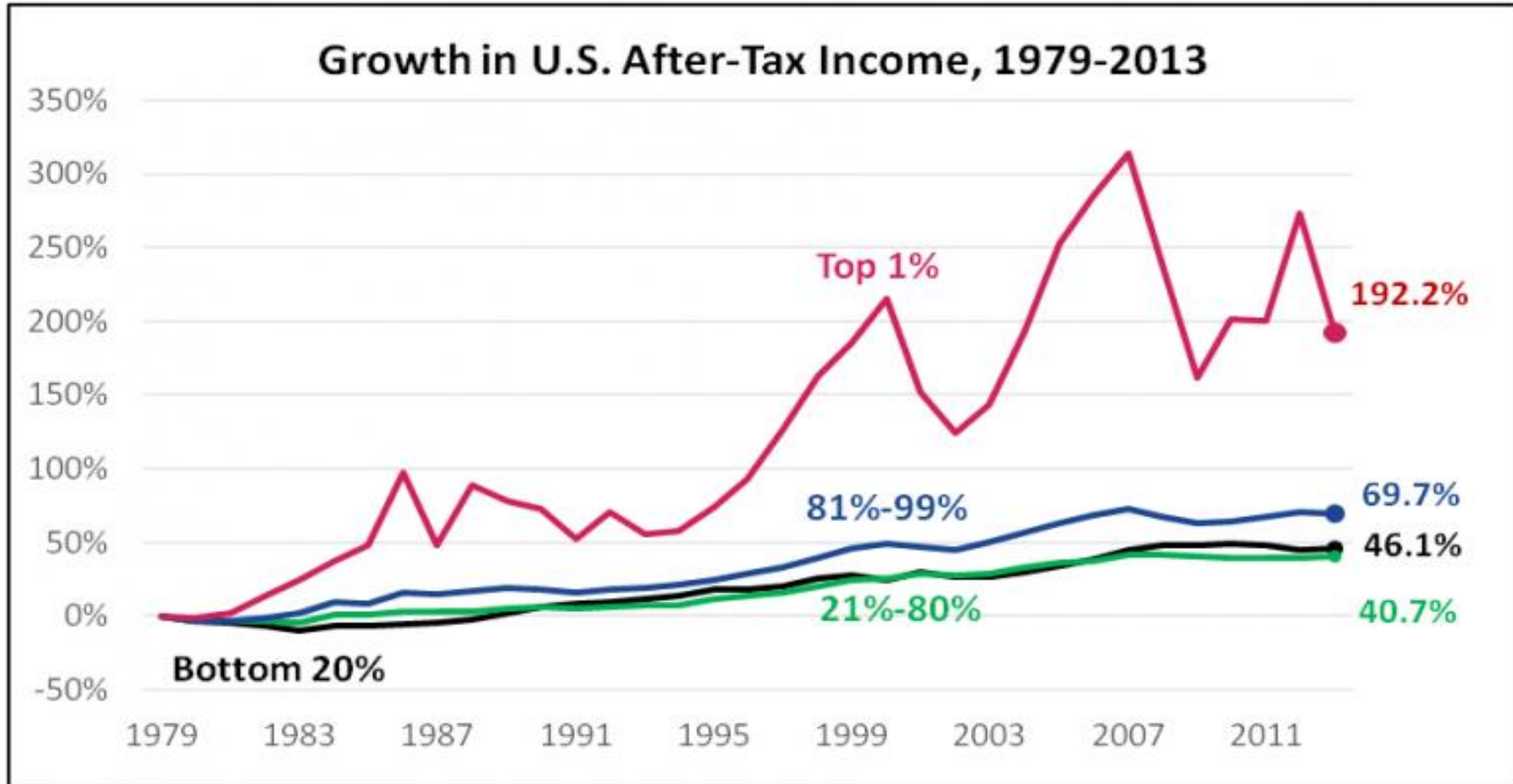
Economic inequality is the unequal distribution of income and opportunity between different groups in society.

Financial Insecurity—Income Inequality



Source: Emmanuel Saez, UC Berkeley

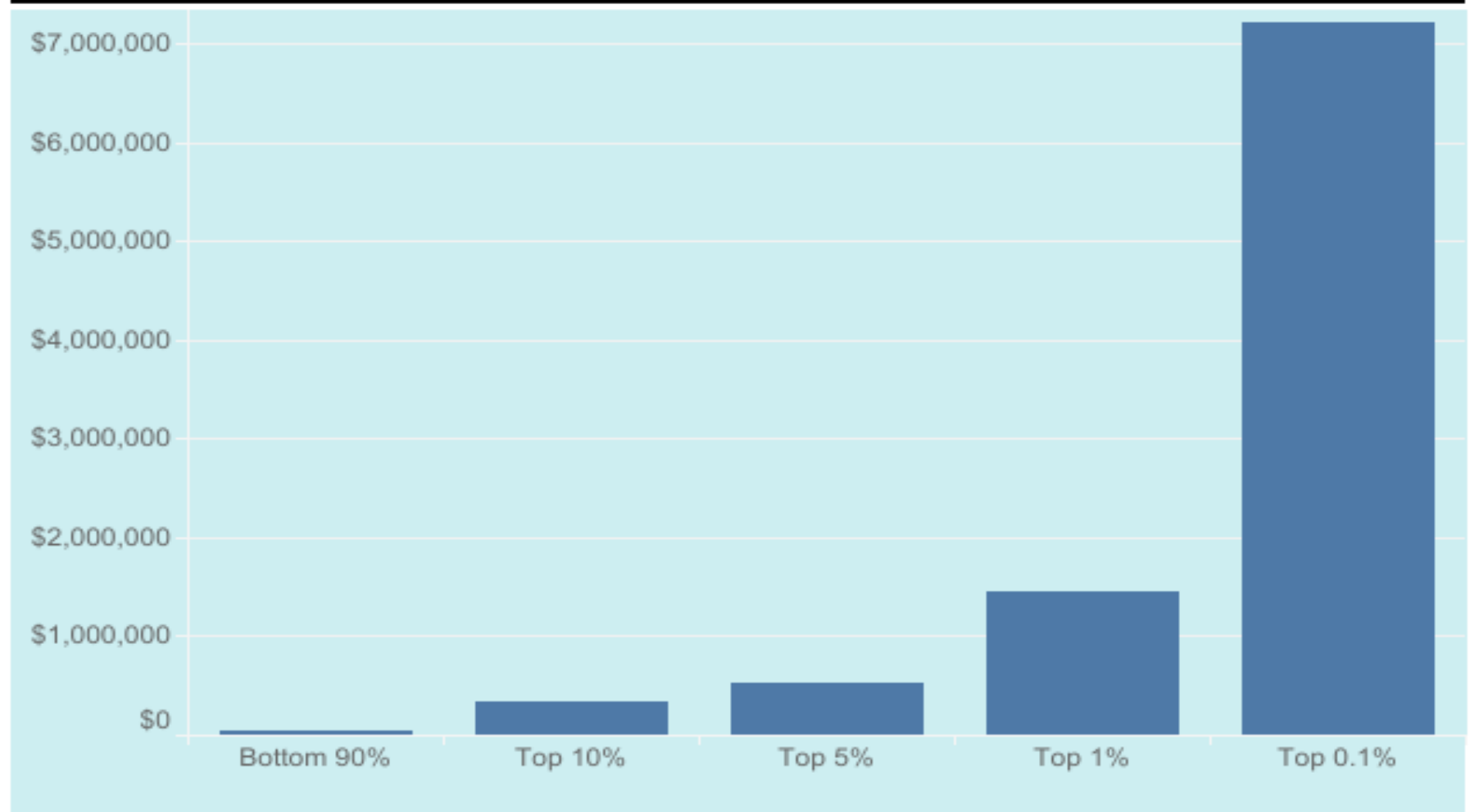
Financial Insecurity—Income Disparities



Income Inequality

Richest 0.1% Take in 196 Times As Much as Bottom 90%

U.S. average income, 2018

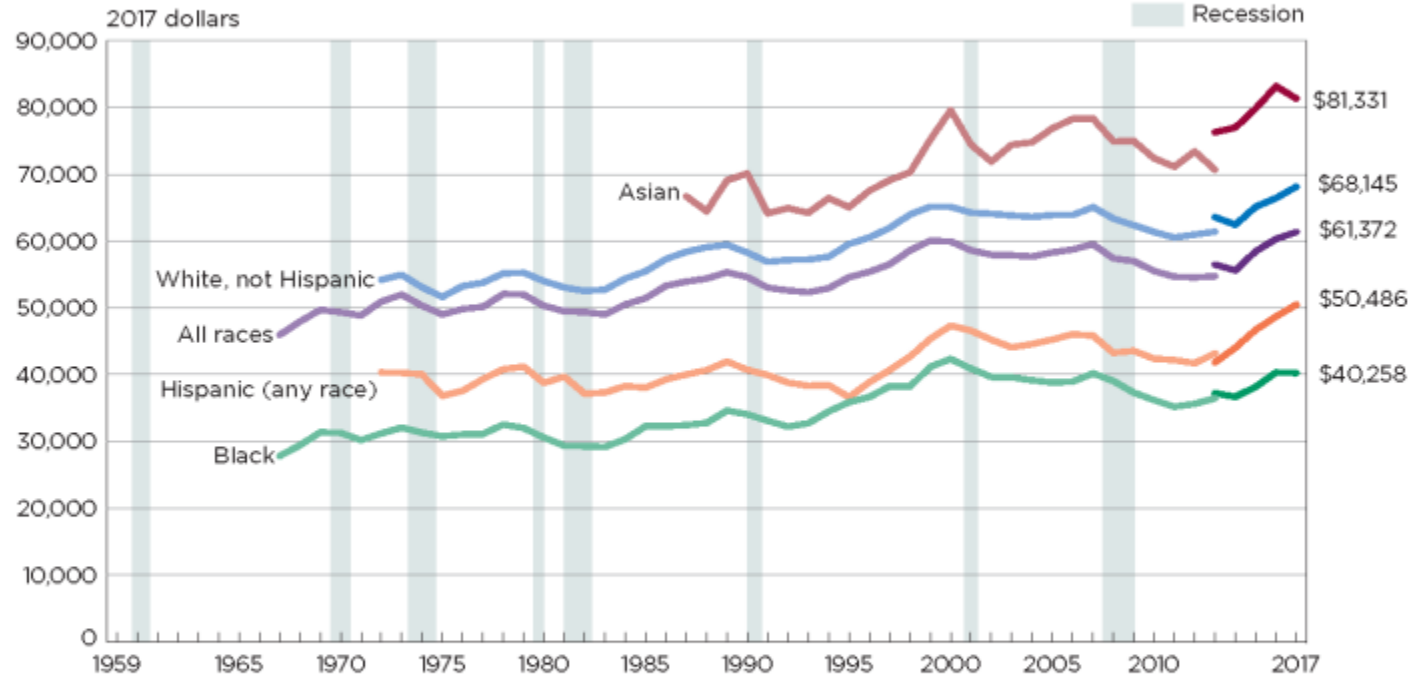


Source: Emmanuel Saez, UC Berkeley



Median Income by Race/Ethnicity

Figure 1.
Real Median Household Income by Race and Hispanic Origin: 1967 to 2017

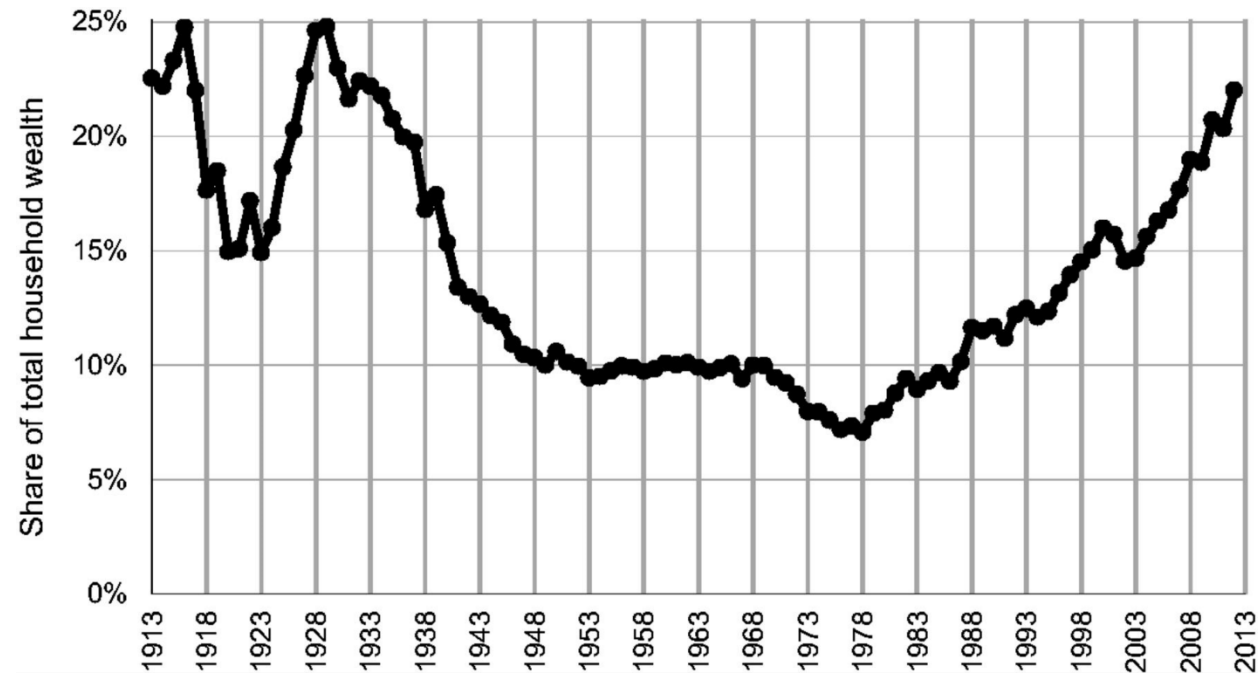


Note: The data for 2013 and beyond reflect the implementation of the redesigned income questions. The data points are placed at the midpoints of the respective years. Median household income data are not available prior to 1967. For information on recessions, see Appendix A. For information on confidentiality protection, sampling error, nonsampling error, and definitions, see <www2.census.gov/programs-surveys/cps/techdocs/cpsmar18.pdf>.

Source: U.S. Census Bureau, Current Population Survey, 1968 to 2018 Annual Social and Economic Supplements.

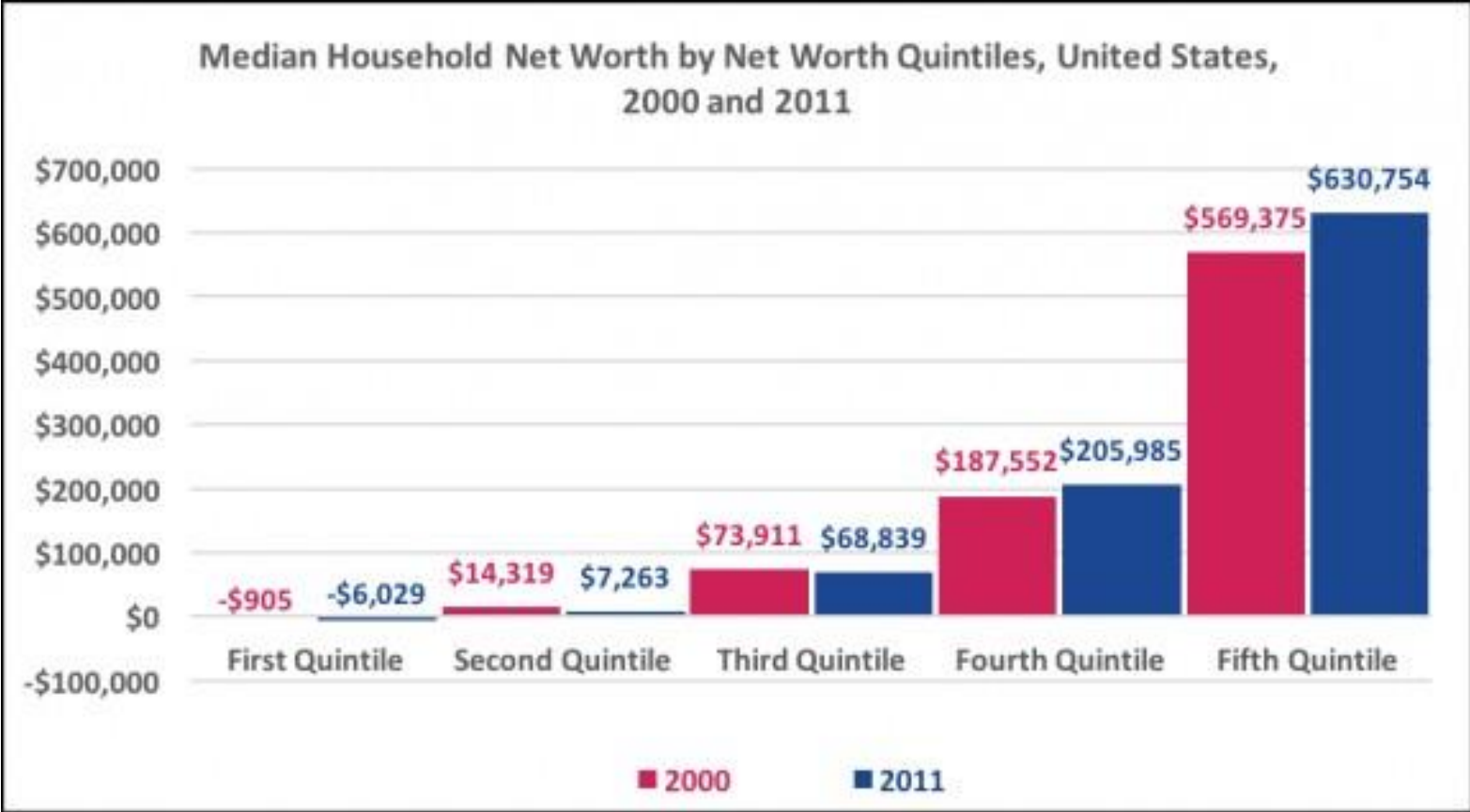
Financial Insecurity—Wealth Inequality

Top .1% Wealth Share in the United States, 1913 - 2012



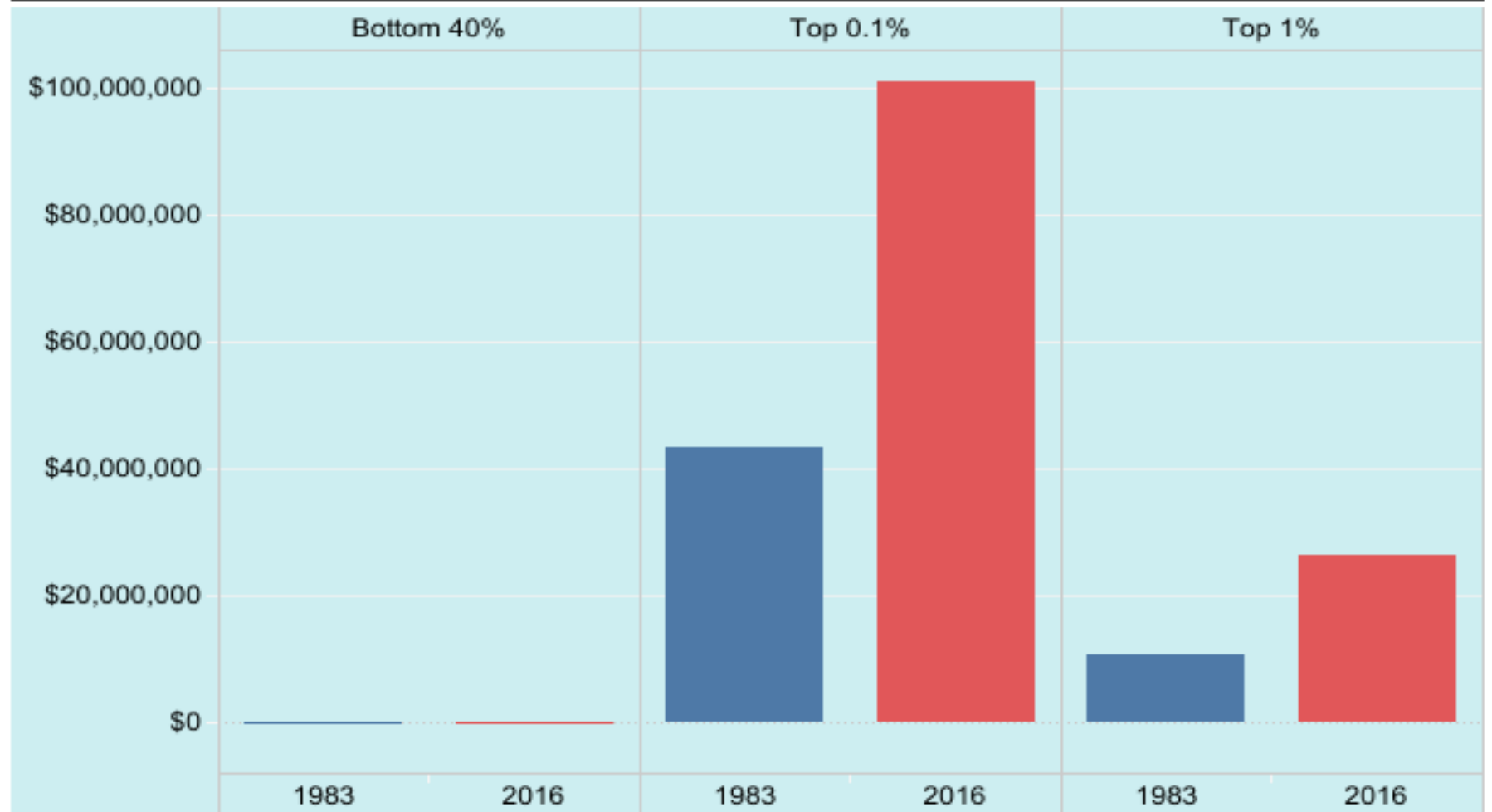
From: Wealth Inequality in the United States since 1913: Evidence from Capitalized Income Tax Data *
Q J Econ. 2016;131(2):519-578. doi:10.1093/qje/qjw004

Wealth Inequality



Wealth Inequality

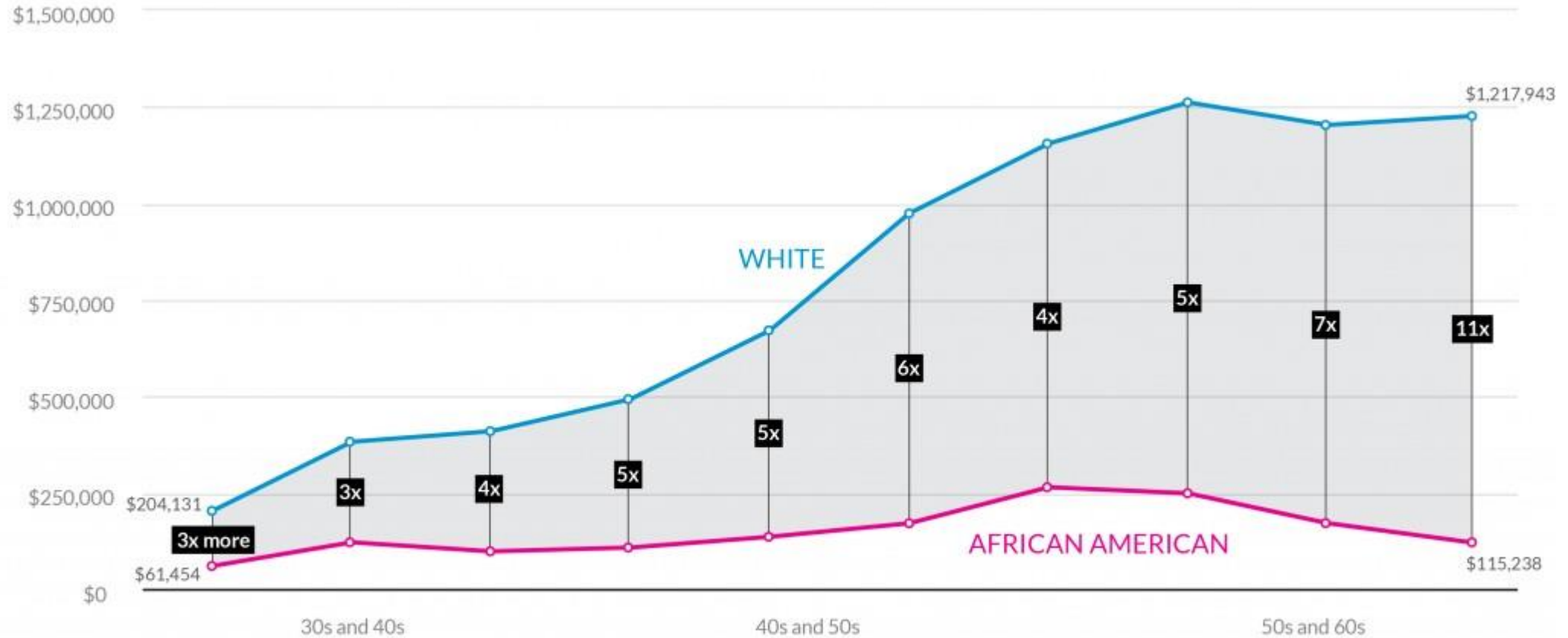
The Rich Have Become Richer as the Poor Have Gone Under Water *Average household wealth in 2016 dollars*



Source: National Bureau of Economic Research



Average Family Wealth for Those Born 1943-51

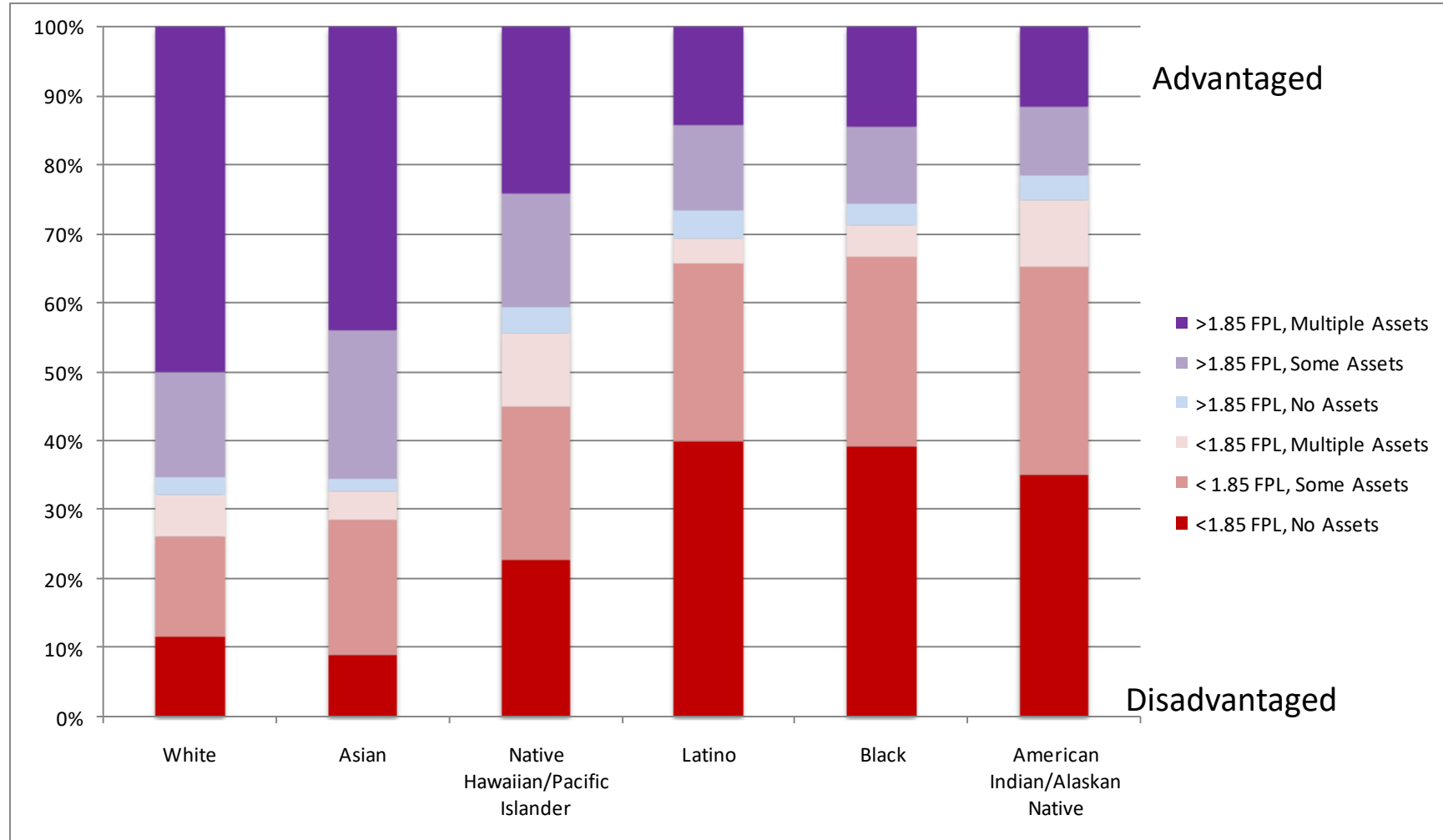


Source: Urban Institute calculations from Survey of Consumer Finances 1983-2013.

Notes: 2013 dollars. Hispanic sample size too small to show. Age is defined as the age of the household head. In 2013, these people were age 62-70. In 1983, ages 32-40.

URBAN INSTITUTE

Percentages of Children Born in 2001 who Live in Advantaged and Disadvantaged Households by Race



Source: ECLS-B, when children were 9-months

Taken from: Shanks, T. & Simonton, S. (2011). Diverging Pathways: How Wealth Shapes Opportunity for Children. Oakland, CA: Insight Center for Community Economic Development.

Increasing opportunities for households to succeed

**COMMUNITY-LEVEL INTERVENTIONS TO INCREASE
FINANCIAL SECURITY IN LOW-INCOME HOUSEHOLDS**

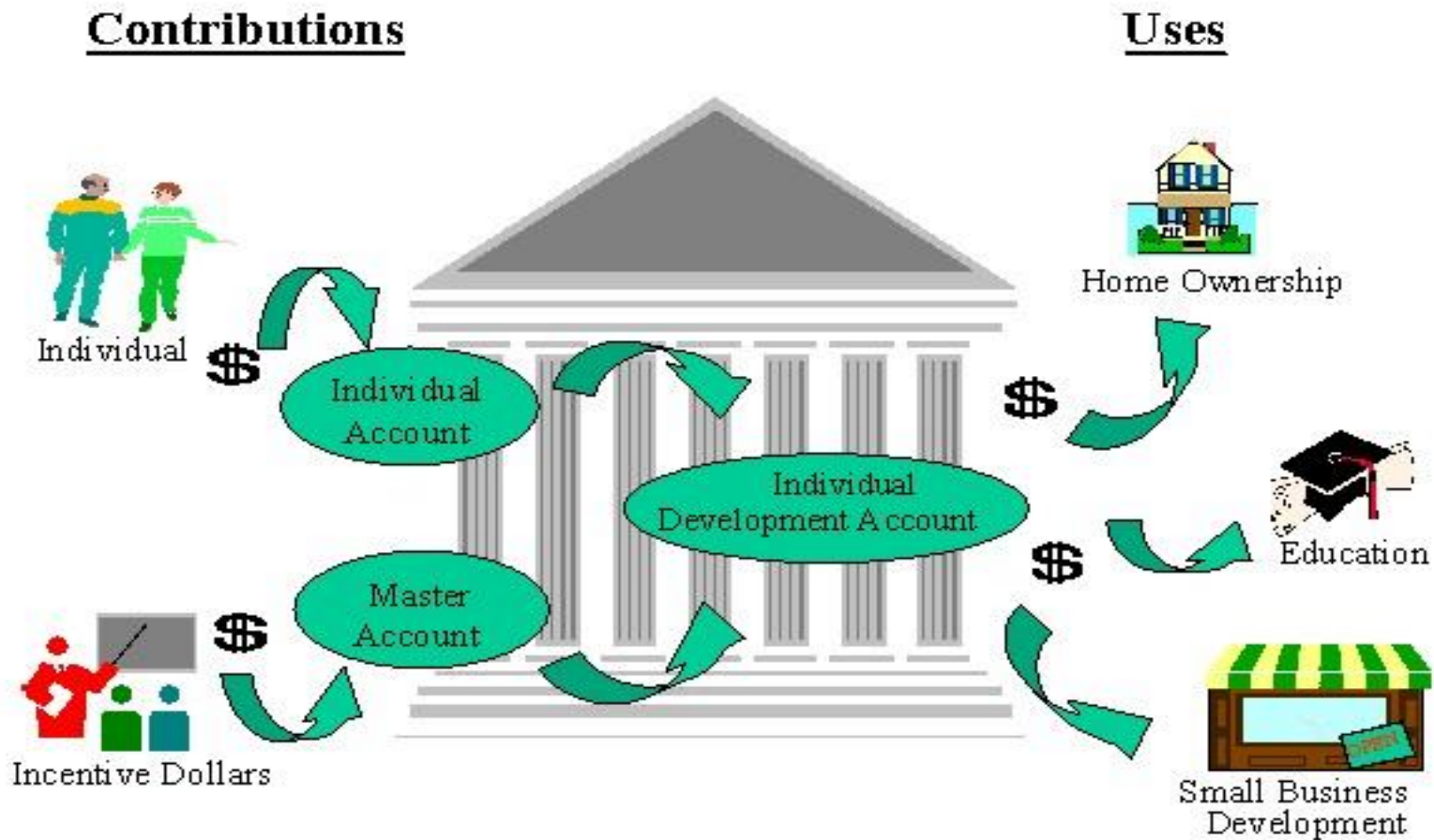


OFFICE OF COMMUNITY SERVICES PLANNING GUIDE

Ten Key Financial Capability Services

- Financial Education
- Financial Coaching
- Financial Counseling
- Credit Counseling
- Credit Building
- Access to Safe and Affordable Financial Products
- Free Tax Preparation Assistance
- Access to Federal and State Benefits
- Incentivized Savings Programs
- Asset Ownership Programs

Individual Development Accounts (IDAs)



Increasing opportunities for households to succeed

**INNOVATIONS TO PROMOTE FINANCIAL
CAPABILITY AND SECURITY**



Track

Track your income and expenses

Save

Make the most of your available money and set it aside towards your goals

Celebrate!

Achieve your goals with customized guidance and reminders

FIN TECH



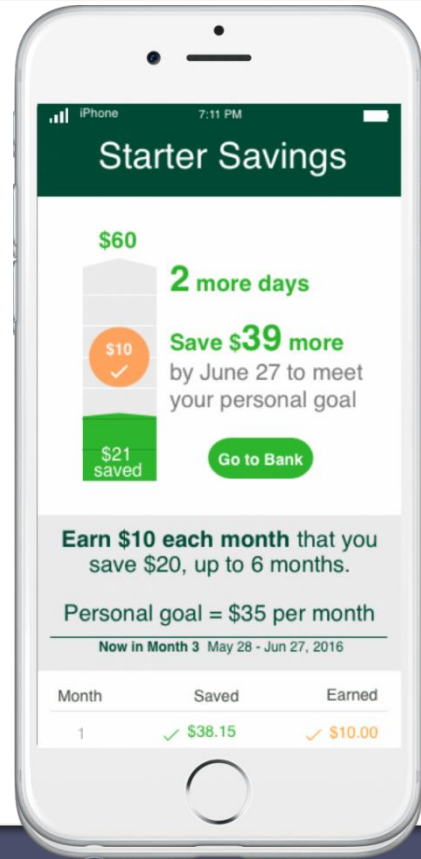
Employee Loans Made Easy



CREDIT



eARN
STARTER
Savings Program



\$SAVE  WIN

**LUCKY
SAVERS**

Prize-*linked*
\$ Savings

SAVINGS

Community-based models of innovation

- Worker-owned cooperatives (e.g. Mondragon Spain)
- Community Development Corporations
- Local Currency/Bartering Systems
- Social Purpose Enterprises

BarterQuest.

 **TimeBanks™**

 **freecycle.org®**



Community Development Corporations (CDCs)



Key Facts and Figures



Number of CDCs located across all 50 states



Housing units produced annually on average



Jobs created by CDC activity per year:

75,000[†]



CDCs that operate one or more businesses:

21%[†]

Average annual commercial space production in square feet:

7.41 M[†]



CDCs that have equity investments in business operations:

17%[†]



Designed by Benzamin Yi | The Democracy Collaborative



Sources:
*Key Facts & Figures," in Overview, Community Development Corporations (CDCs), Community-Wealth.org, accessed May 26, 2015, <http://community-wealth.org/strategies/panel/cdcs/index.html>.
† National Congress for Community Economic Development, "Reaching New Heights," NCCED, June 2006.
‡ National Alliance of Community Economic Development Associations, "Rising Above," NACEDA, June 2010.



Increasing opportunities for households to succeed

**PROMOTING POLICIES TO INCREASE FINANCIAL
SECURITY IN LOW-INCOME HOUSEHOLDS**

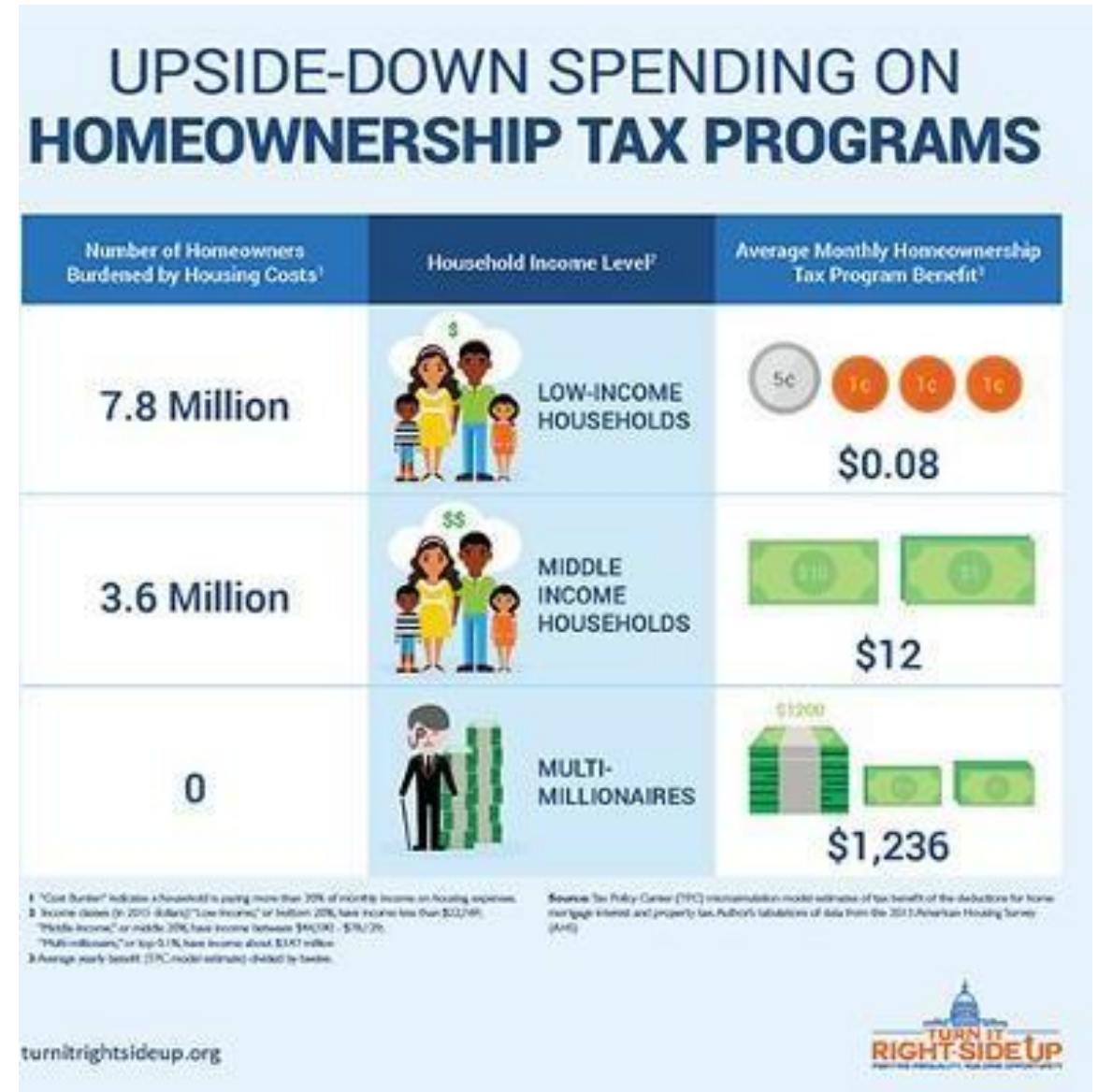


U.S. Department of the Treasury

- Created (Obama, 2014) then eliminated (Trump, 2017) by Executive Order
- Offered workers access to a simplified retirement savings program administered by Dept. of Treasury
 - Initial deposit of \$25
 - Automatic payroll deductions of as little as \$5
 - No fees
 - Modest rate of return in government securities (2-3%)

Need for Progressive Tax Reform

- Most (84-91%) of \$500 billion spent on tax incentives for retirement & homeownership goes to top 40% of taxpayers



Educating Social Workers on Issues of Income Inequality

- Income inequality affects:
 - Instability due to low and volatile income
 - Quality of health care
 - Access to transportation
 - Access and quality of mental health diagnosis and treatment
 - Housing and community resources
 - Life aspirations
- For social workers:
 - Sensitivity to context
 - Need for advocacy
 - Work in the policy arena
 - Client approaches in the context of inequality

Responding to Income Inequality

- Increase wage, hours, and tenure stability.
- Increase Earned Income Tax Credit (EITC) and its coverage to a larger population.
- Establish universal refundable child tax credit/child allowance.
- Increase Child Care affordability and availability.
- Invest in public and private sector job creation.
- Expand unemployment insurance.
- Universal Basic Income

Educating Social Workers on Issues of Wealth Inequality

- Key concepts
 - Income is distinct from wealth.
 - Wealth has even more extreme patterns of inequality than income.
 - Understand typical wealth portfolios
 - Historical and current policies help shape wealth inequality
 - There is a ‘sedimentation of racial inequality’ in that there are cumulative effects across generations.
- For social workers:
 - Wealth shapes opportunity in big and small ways.
 - Economic justice around wealth is an area ripe for advocacy.
 - Consider community asset building as a potential strategy.

Policy Responses to Wealth Inequality

- Cease privileging income from capital over income from labor
- Implement more inclusive asset-building policies
 - Redeploy wealth building subsidies in retirement
 - Redeploy wealth building subsidies for housing
- Support microenterprise and cooperative development
- Create child savings accounts for all children at birth

Building Wealth in Low-Income Communities

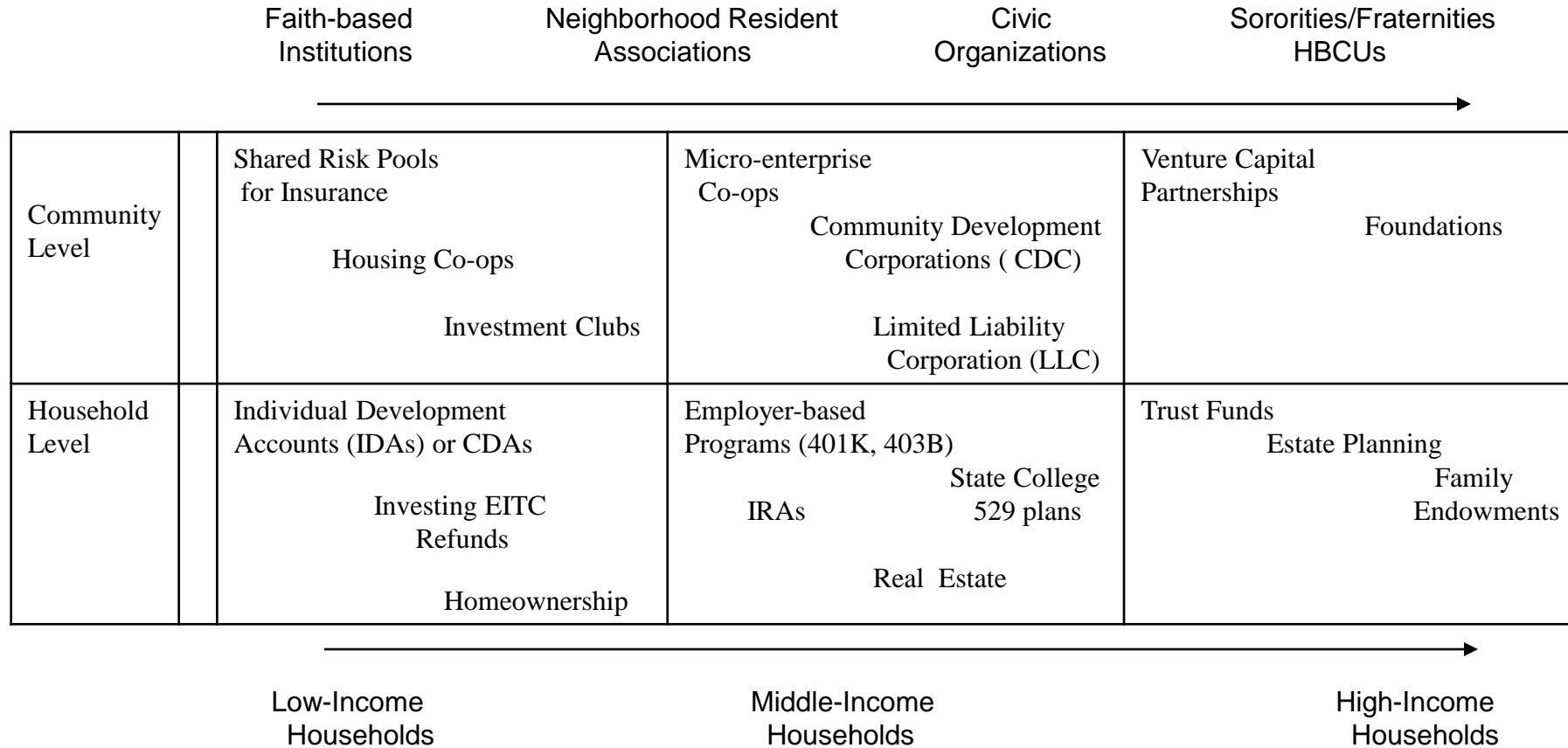
Basic Principles:

- Although individual prudence can be helpful, careful budgeting is not enough to overcome years of intergenerational disadvantage and structural inequities.
- Progressive policies and innovative programs can make a big difference.
- Rather than emphasize survival and consumption, priority can also be given to economic development and capacity building.

Working Model for a Continuum of Asset-Building Activity

Trina Shanks and Stephanie Boddie

Institutional Continuum



CLOSING SURVEY

Survey Question

Which Grand Challenge in the “Just Society” category would you most want to join?

- [Eliminate racism](#)
- [Promote smart decarceration](#)
- [Build financial capability and assets for all](#)
- [Reduce extreme economic inequality](#)
- [Achieve equal opportunity and justice](#)

Survey Questions

What strategy to reduce income inequality do you see as most promising?

- Expand Earned Income Tax Credit (EITC)
- Universal Basic Income
- Guaranteed Public Employment

Survey Questions

What strategy to reduce wealth inequality do you see as most promising?

- Expand Cooperative Business Development
- Universal Child Savings Accounts
- Matched Retirement Savings (independent of employer)

What goal have you made today to increase financial capability (your own or someone else's)?

Open ended response

You can reach me:

Email: trwilli@umich.edu

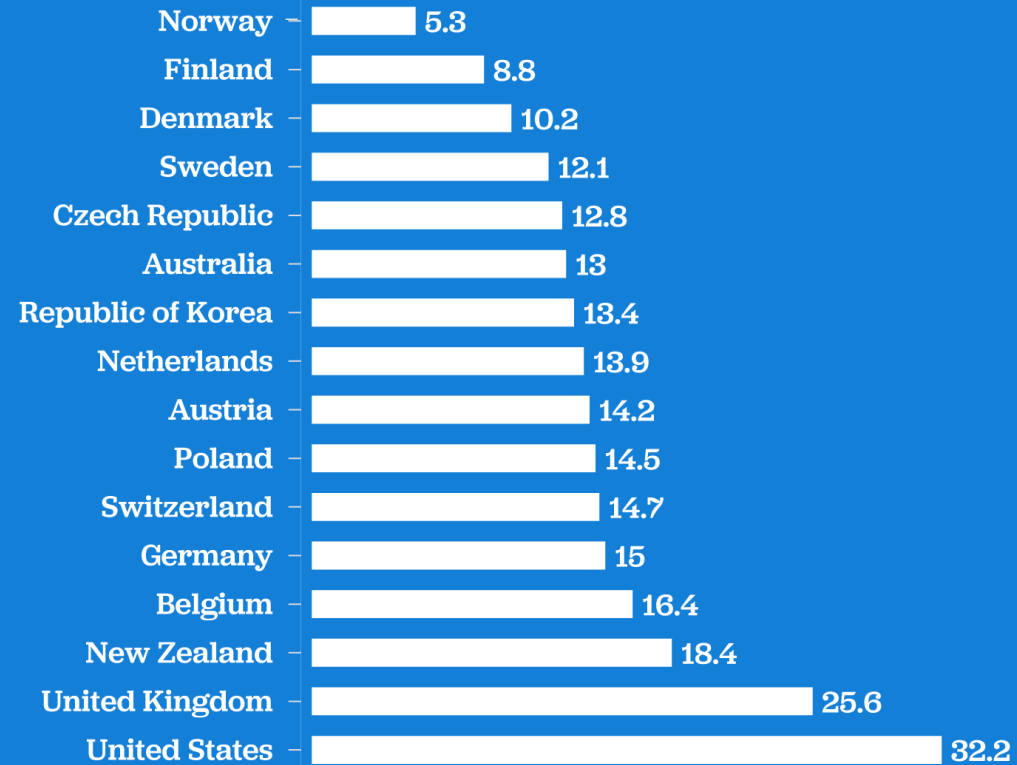
Twitter: @TrinaShanks1



Extra Slides

ECONOMIC INEQUALITY: IMPLICATIONS FOR CHILDREN AND FAMILIES

Child Poverty Rate

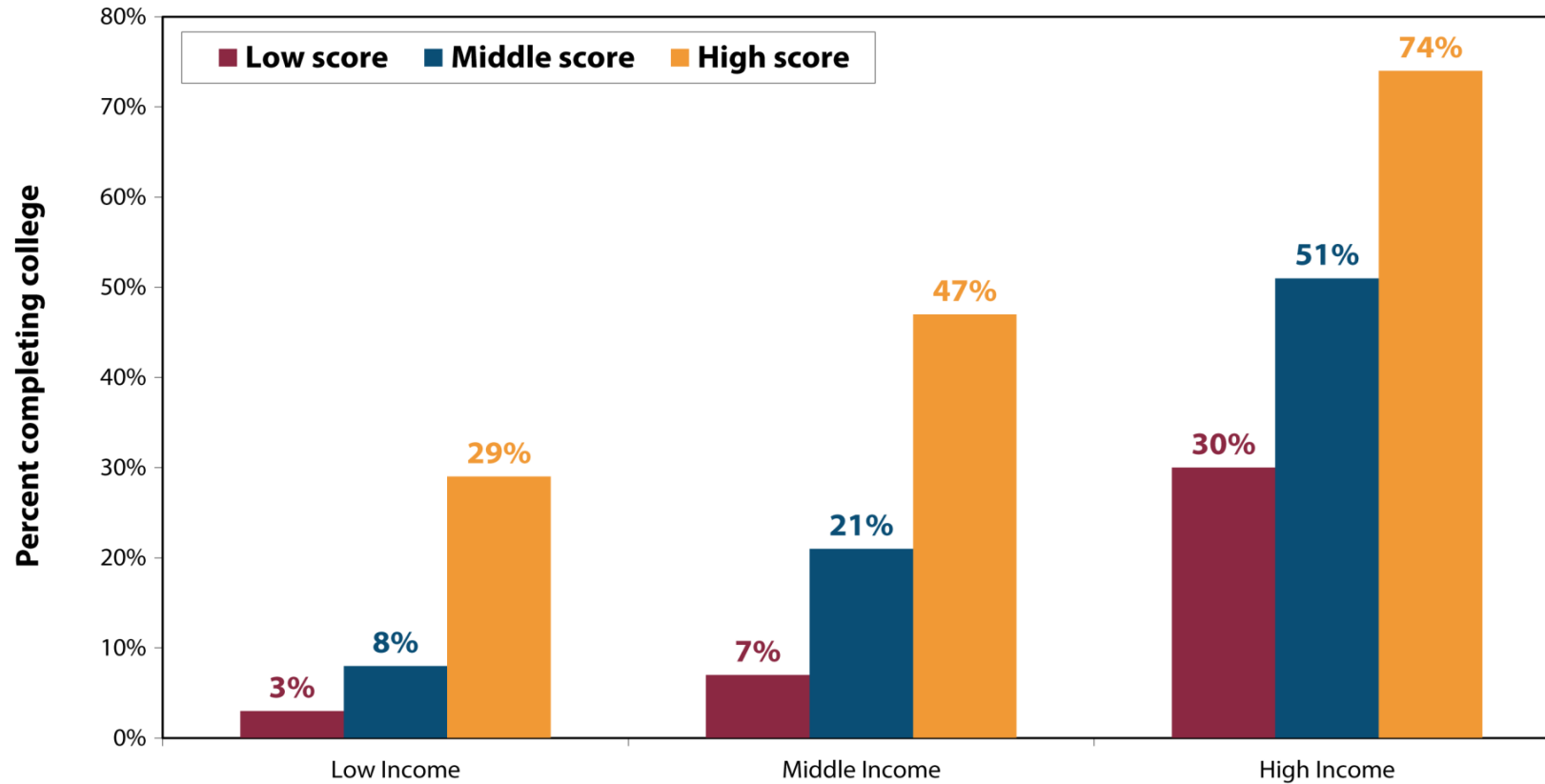


Source: <http://www.unicef-irc.org/publications/pdf/rc12-eng-web.pdf>

What better predicts long-term outcomes for children: a developmentally appropriate assessment of ability as a young child or their economic and social advantage?

Incomes matter more than test scores for college completion

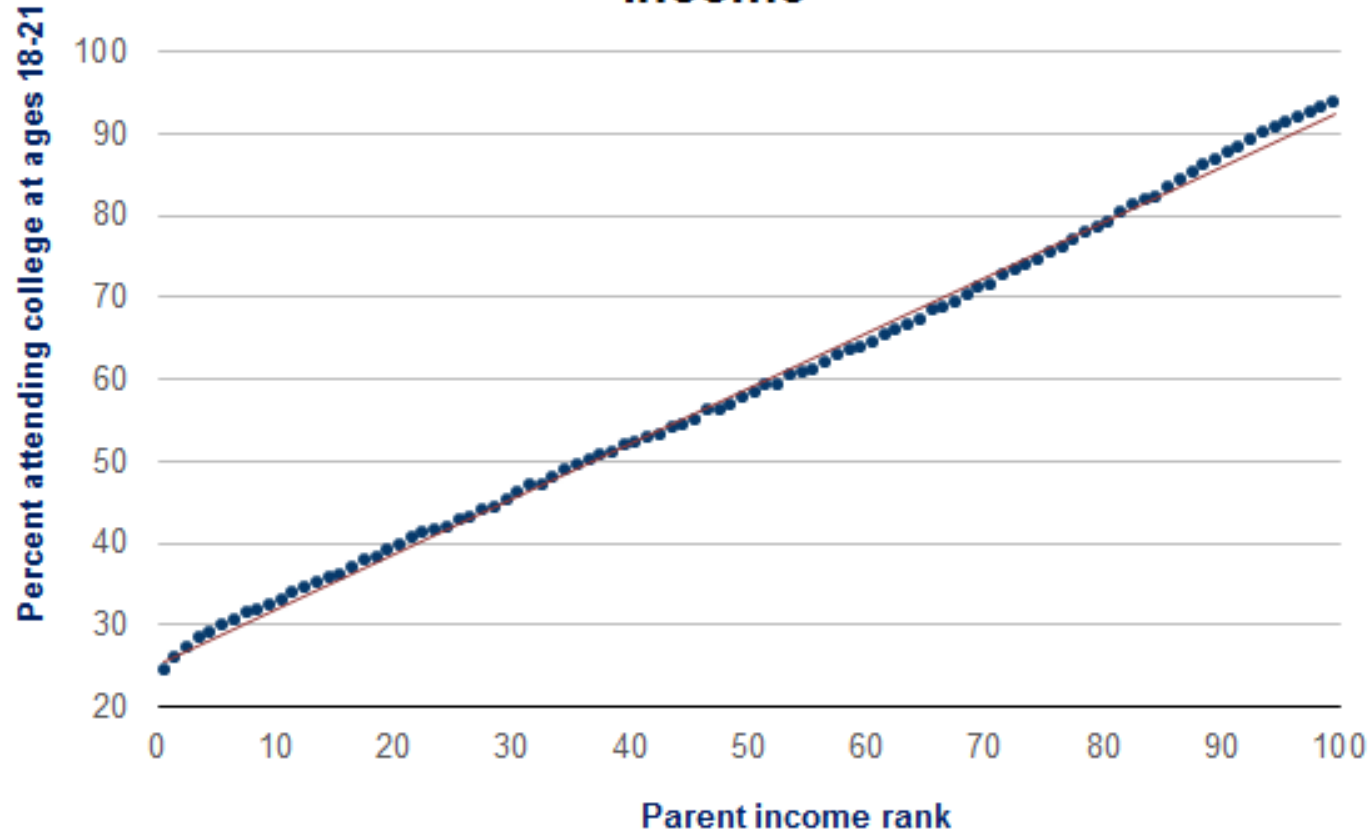
College completion by income status and 8th grade test scores



Note: Low income is defined as the bottom 25%, middle income is middle 50%, and high income is top 25%.

Source: Fox, M.A., B.A. Connolly, & T.D. Snyder . 2005. *Youth Indicators 2005: Trends in the Well-Being of American Youth*. Washington, D.C.: U.S. Department of Education, National Center for Education Statistics.

Headed to college? Depends on family income



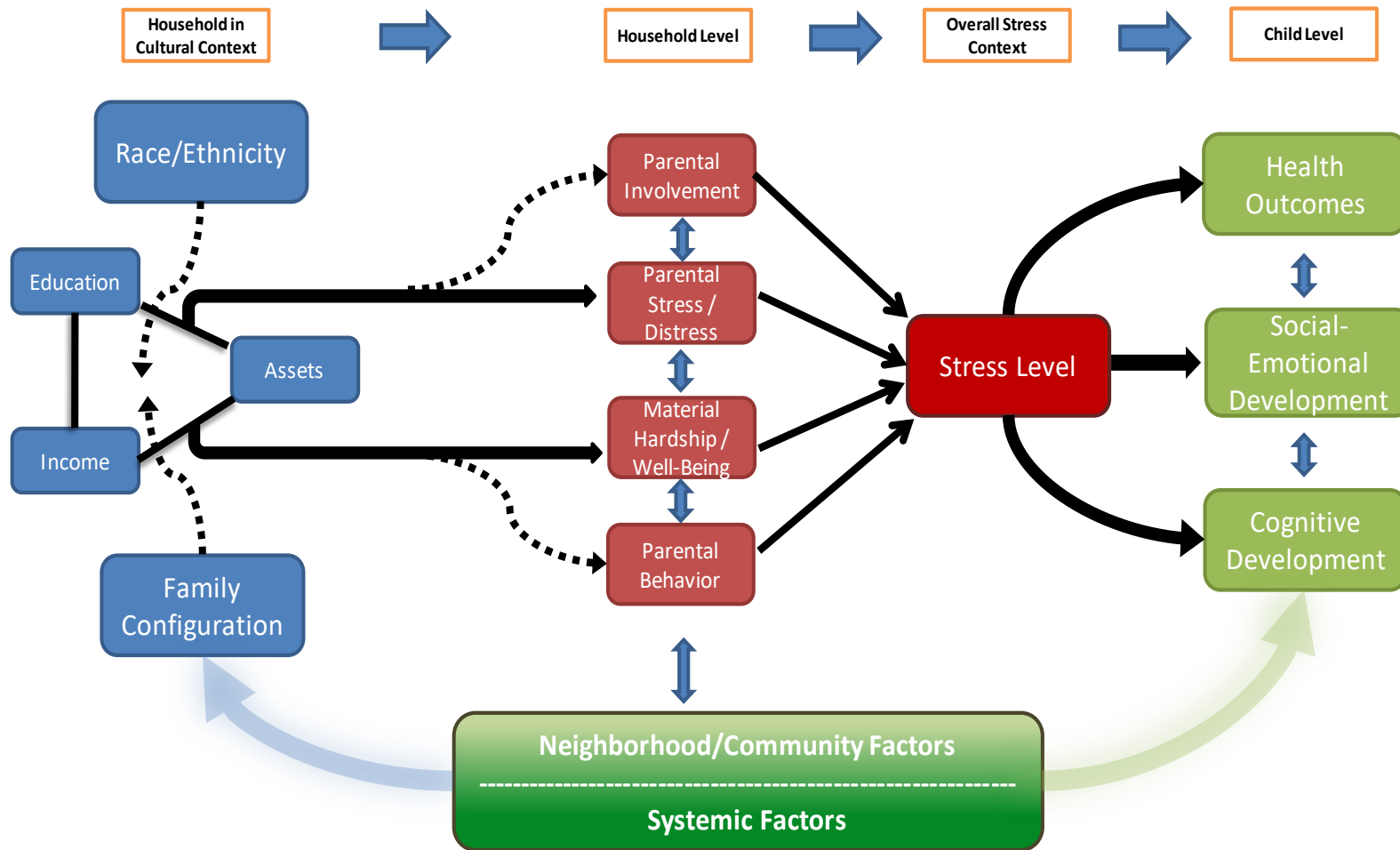
Source: Chetty et al., "Where is the land of opportunity? The geography of intergenerational mobility in the U.S."

BROOKINGS

Aspects of social and economic advantage

- Financial security
- Secure Family
- Safe Neighborhood
- Quality School System

Figure 1: General Overarching Framework



Shanks, T.R. & Robinson, C. (2013). *Assets, economic opportunity and toxic stress: A framework for understanding child and educational outcomes. Economics of Education Review*

Child Development Accounts (CDAs)

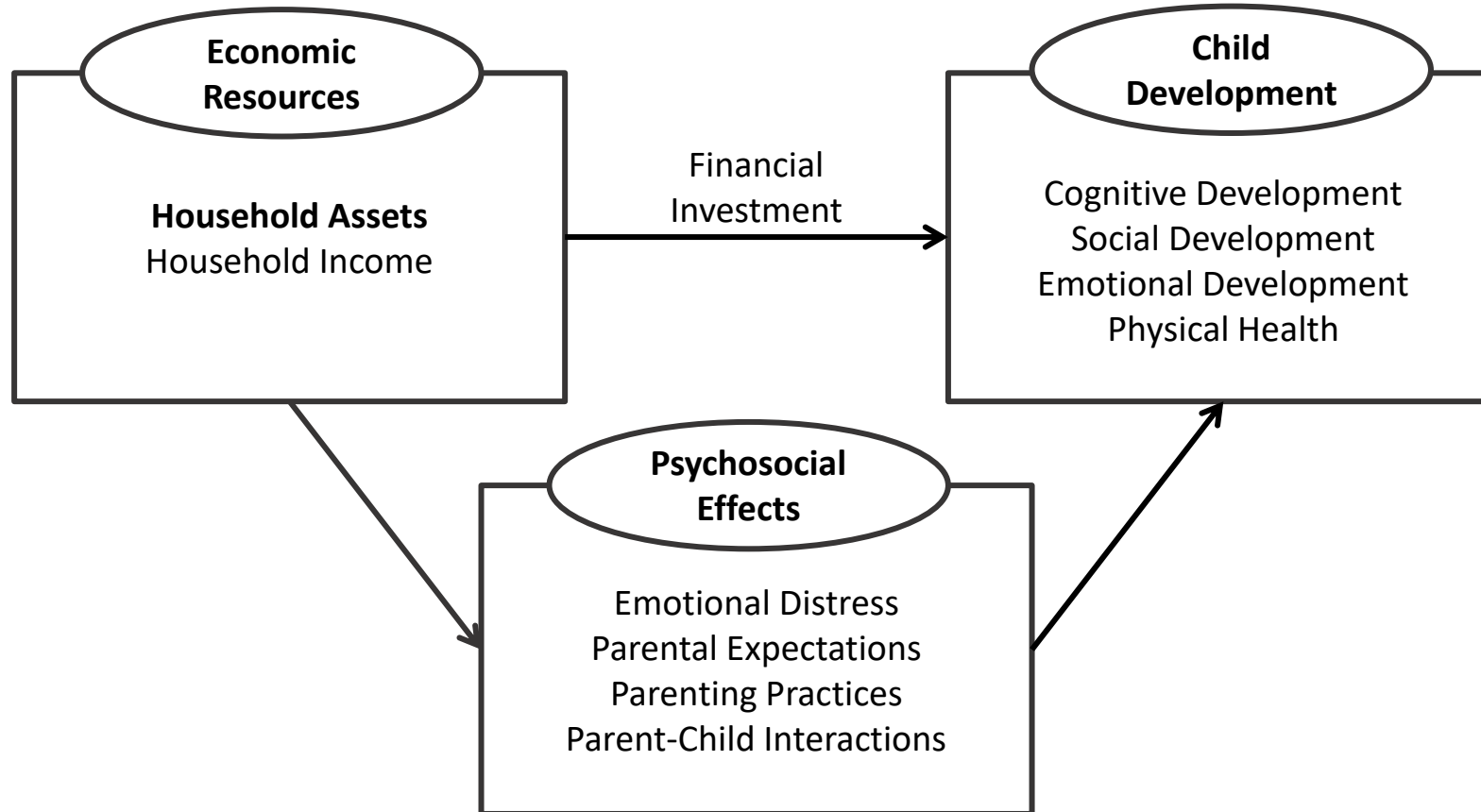
What are they?

- Special dedicated savings and investment accounts, initiated by public policy for lifelong developmental purposes
- Include features designed to encourage wealth building and asset accumulation

Original Vision (Sherraden, 1991):

- Lifelong (begin at birth)
- Universal (for all children)
- Progressive (greater subsidies for poorest children)
- Automatic (opened without action by parent)
- Restricted (for postsecondary education and child development)

CDAs and Child Development



Small Amounts Can Potentially Make a Big Difference

EARLY SAVINGS = COLLEGE SUCCESS FOR LOW-INCOME STUDENTS



EVEN COLLEGE SAVINGS OF LESS THAN \$500 BOOST CHANCES OF COLLEGE ENTRY AND SUCCESS FOR LOW- AND MODERATE-INCOME STUDENTS



* SAVINGS OF LESS THAN \$500

Ten Key Design Elements

- Universal eligibility
- Automatic enrollment
- At-birth start
- Automatic initial deposit
- Automatic progressive subsidy
- Centralized savings plan
- Investment growth potential
- Targeted investment options
- Restricted withdrawals
- Means-tested public benefit exclusion

(Clancy & Beverly 2017;
Clancy, Sherraden, & Beverly 2019a, 2019b;
Sherraden, Clancy, & Beverly 2018)

CDAs in the global context

- Singapore's Baby Bonus and CDAs
- Israel's CDAs for all children
- United Kingdom's Child Trust Fund
- Canada's several CDA policies
- Taiwan's CDAs for welfare families
- Korea's Child Development Accounts
- YouthSave demonstration in Colombia, Ghana, Kenya, Nepal
(Loke & Sherraden, 2009; Sherraden et al., 2016; Sherraden, Huang, & Zou, 2019)

CDA Programs are in 34 states

PROSPERITYNOW

TOPICS TAKE ACTION SCORECARD ABOUT DONATE

Over the past decade, Children's Savings Account (CSA) programs have expanded across the country, with programs in more than 34 states. This directory provides a description of these CSA programs and their key features. You'll also find information about other non-CSA children's savings initiatives. For more information on what makes CSAs different from other savings initiatives, see the explanation below the map.

Filter by Program Type

- Children's Savings Account Program
- Children's Savings Initiative

United States

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Seven States Adopt the SEED OK Model

CA, IL, ME, NE, NV, PA, RI

(Clancy, Sherraden, & Beverly 2019a, 2019b)