

Financial Education and Asset Building

Turning Partnerships into Opportunities

Webcast Series Application Activities

**Presented by
IRS - Wage and Investment Division
CARE/SPEC**



Shaina Gross

Community Impact Manager

**United Way of San Diego
County**



Individual Development Accounts (IDA's)



United Way of San Diego County

Provides targeted funding in three areas:

Education

Income

Health



United Way of San Diego County

Performs community needs assessments to determine where UWSD funds can best be used to change the knowledge and behaviors of our community members

Getting involved in Financial Stability

A group of community experts was convened to help UWSD determine where it should focus

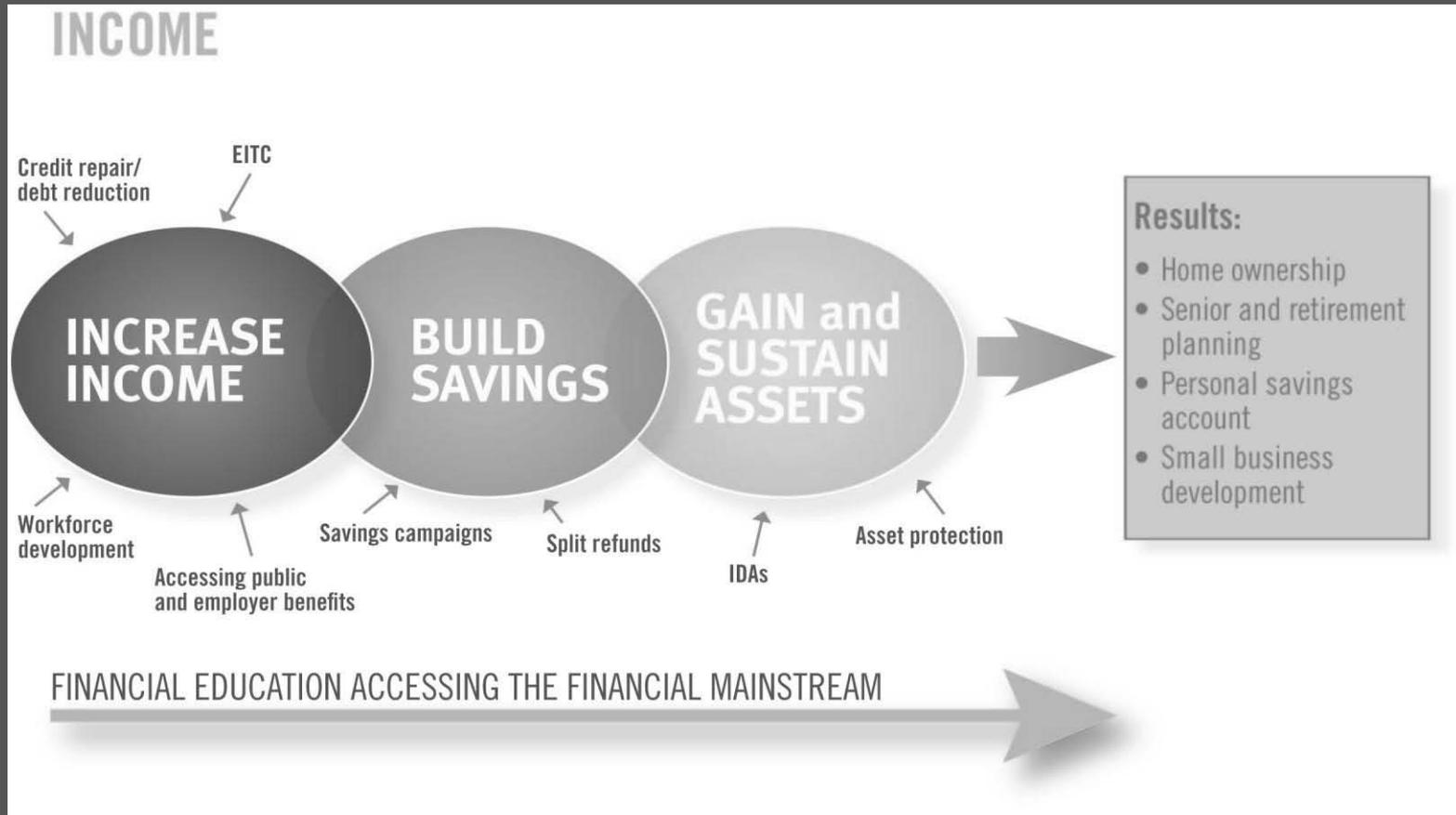
The initial focus was on adults who were EITC eligible

Getting involved in Financial Stability...cont'd.

After a year of focusing on financial education classes, we began to get involved in funding of IDA programs

We then expanded our efforts to provide financial education to underserved and marginalized youth

Financial Stability Efforts



Individual Development Accounts

Matched savings accounts that allow individuals to save toward a specific asset goal

Depending on the source of funding, there are different saving assets goals a client can select

Federal IDA Program

There are Federal, Assets for Independence (AFI) funds available to use as the match for an individuals' saving

Applying agency must have a “community” match in order to receive federal funds

Federal IDA Program cont'd

Household income of the participant must be less than twice the FPL

Individuals can receive up to a 3:1 match, or up to \$6,000 in match funds



Federal IDA Program cont'd

All money saved must be used for:

Homeownership

Secondary education or training

Micro-enterprise

Federal IDA Program cont'd

UWSD funded the San Diego Housing Commission at \$120,000 to help them secure \$250,000 in federal funds

The program is available to residents of the Commission's housing developments

Federal IDA Program - Results

82 individuals participated with varied goals

42 homeownership

18 education

12 small business goal

10 more than one goal

Participants have completed over 800 hours of financial education coursework

Success Stories

Martha – Used the IDA funds to pay for course work to earn her certificate in Translation and Interpretation. She accessed her IDA funds again to become a certified First Aide/CPR instructor, and is now building up her account again to start her own CPR Instructor business

Success Stories...cont'd

Dennis – He had a dream of starting his own contractor business. He has used his funds to pay for training to become a contractor, to obtain his contractor license and to buy uniforms for his business.

Non-Federal IDA Program

Because of the restrictions placed on the Federal AFI funds, some agencies choose to implement an IDA program without the use of Federal funds.

Non-Federal IDA Program cont'd

This allows them to be more flexible in the asset savings goals their clients can target.

UWSD provided \$65,000 in funding to the International Rescue Committee to implement an IDA program for its refugee clients

Non-Federal IDA Program cont'd

Participants may save for:

- Personal computer

- Education

- Repay debt (often their refugee travel loan)

- Down payment on an automobile

- Micro-enterprise

- Credit building and credit repair

- Security deposit on an apartment

Non-Federal IDA Program - Results

45 individuals participated:

23 purchase of a car

9 are paying down debt

5 education goal

5 are paying immigration fees

2 small business goals

1 security deposit on a rental property

Non-Federal IDA Program - Results

88% of participants received one-on-one individual financial education services

40% received employment training and assistance in finding their first job

Non-Federal IDA Program – Results...cont'd

26% received free tax preparation services

5% completed small business
development coursework

All clients received basic financial
education covering budget, credit and
debt, and checking and savings



Success Stories

Oumar – Commuted 90 minutes each way every day to and from work using public transportation. In the evenings he attended ESL classes. With his EITC refund and his IDA savings he was able to purchase a reliable used car. He is now pursuing his GED and will then go on to accounting school.

Success Stories...cont'd

In a participant survey, individuals without a car reported a median travel time of 80 minutes in each direction. This is 4 times as long as those individuals with a car, whose median commute was 20 minutes.

Lessons Learned

IDA accounts are a great motivation tool for individuals who are actively participating in financial education programs

IDA accounts teach savings habits and goal setting mentalities that stay with clients over the long-term

Lessons Learned...cont'd

Not all clients will be successful in an IDA program. Agencies need to carefully select those clients who are ready to set savings goals and work toward them

IDA account management requires a dedicated (not necessarily full-time) staff person to monitor all deposits and matches

Contact

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CASH Coach Program





Monica Copeland

**Asset Development
Program Manager**

Mission

Baltimore CASH Campaign pledges to:

- Promote greater awareness of the EITC among low-income families,
- Advance free tax preparation and the avoidance of unnecessary charges,
- Incorporate the use of tax refunds as part of an overall asset-building strategy, and
- Advocate for working families in the Baltimore area.

History

- Formed in 2001, the Baltimore CASH (Creating Assets, Savings, and Hope) Campaign is a **coalition** of
 - Community-based organizations
 - Workforce development agencies
 - Foundations
 - Businesses
 - City government
 - Internal Revenue Service (IRS)
 - and hundreds of volunteers
- These partners joined together to implement strategies to increase **economic opportunities** and **promote financial stability** for low- and moderate-income working families



VITA Sites

- 20 free tax sites located throughout Baltimore City and Baltimore County
- Eligibility: Taxpayers earning under \$49,000 (under \$25,000 for individuals without dependents)
- Sites open late-January until April 15th; some sites are open all year



Impact

- In 2009, the Baltimore CASH Campaign provided more than 14,000 low-income taxpayers with free tax prep assistance, helping them claim over \$19 million in refunds
- Over the past nine years, the Baltimore CASH Campaign has served over 51,000 people, bringing over \$73 million back to low-income residents

Baltimore EITC Filers

- **\$18,000/year** - Average income of CASH clients:
- **\$1,545** - Average EITC refund
- **72,000** EITC filers in the city
- **\$140 million** total EITC granted (TY 2008)
- **69%** (over 49,000) of EITC filers used for-profit tax preparation services (TY 2008)

Asset Development (AD)

Products and Services that build people's financial resources over time.

Not a crisis intervention model – but a *prevention* model that eventually moves people from crisis and into sustainable opportunities.

At the core of this work – belief that access to capital at a fair and reasonable cost is critical to achieving financial independence.

AD Products at Tax Sites

- Savings bonds
- Savings accounts
- Certificates of deposit (CDs)
- Stored value cards (prepaid cards)
- FAFSA/financial aid application assistance
- Free credit reports
- Benefit screenings

AD Services

- CASH Coach Program
 - One-on-one mentoring with a financial coach
- Money Power Day
 - Annual financial fitness fair
- Financial Education Workshops
- *Wealthbuilder & The Compass*
 - Newsletters for clients and practitioners
- Maryland Money Helpline
 - For budgeting, credit, or debt issues

CASH Coach Overview

- The volunteer CASH Coach Program pairs volunteers with financial backgrounds or expertise with low- and moderate- income working individuals (often Baltimore CASH tax clients) who request assistance with money management skills.

- The coaches guide & instruct clients in various personal finance skills including: budgeting, understanding credit and saving for a goal. Savings goals are client-directed.

- The CASH Coach works closely with his/her client for **at least 3** months. The coach/client cycle will typically occurs between April to September.
- Coaches & clients meet together to determine what financial goals and skills to focus on during the program cycle. The CASH Coach will offer advice and encouragement tailored to the client's individual needs.

- CASH Coaches are expected to meet with their partner by phone and in person several times for approximately **30 minutes to one hour** per consultation.
- The minimum requirement is **three** consultations over the **three** month cycle. However, the actual monthly commitment will be determined by each coach/client partnership

Client Recruitment

- Most CASH Clients will self-identify, particularly during intake for tax services with the Baltimore CASH Campaign. However other nonprofit partners may also refer clients to the program.
- Clients are eligible to participate if they earn less than \$49,000 per year. Prospective clients are screened for income level, degree of commitment, and ability to direct their financial affairs.

Coach Recruitment

- The CASH Coach volunteer opportunity is posted on the Baltimore CASH website and it is promoted throughout the year
- Coaches are then screened for commitment to the program, willingness to maintain client confidentiality and financial expertise.

Coach Orientation

- Attendance at a CASH Coach orientation session is required. Group orientations take place in April and one-on-one orientations are also available.
- All training materials are provided free of charge.

Coach Expectations

- Clients' financial information must remain confidential
- All services provided are free
- No selling policy
- Coaches maintain a log to track the dates and time spent meeting with the clients

Coach Role

- To provide guidance, education and support to clients. Coaches provide advice to clients to the best of their ability.
- Ultimately, the client is responsible for their own financial affairs. So the final decision must rest with the client rather than the coach.
- All meetings will take place in person or by phone over the three month coaching cycle.

Coaching Process

- Goal setting
- Action planning
- Monitoring

Key Elements in Coaching

- A focus on long-term outcomes
- Ongoing, systematic, collaborative process
- Support to practice new behaviors
- Building skills and teaching content based on unique needs of client and their goal

Skills of a Successful Financial Coach

- An understanding of coaching fundamentals
- A knowledge of personal finance
- Counseling-like communication and facilitation skills
- Familiarity with the client population being coached

Volunteer Success Story

- A CASH Coach named Janetta shared the following story about her experience:
- *Volunteering as a Cash Coach is by far one of the best experiences I have ever encountered. My initial thought was to help the participant get her credit score and formulate a budget. However, she wanted to know everything about credit, bill paying, and payroll taxes. Through a series of questions and answers, we came to the realization that every facet of life is linked to finances.*

Volunteer Success Story

- *As a low wage earner with no high school diploma, the participant realized that a lack of information is why she had financial problems. The first thing she realized is that getting a GED would make her more marketable and allow her an opportunity to get the promotion she wanted. We scheduled a GED test and got her accepted into a local program.*

Volunteer Success Story

- *Next, we discovered how eating out is costly. The participant and I purchased a spiral notebook and she wrote down every penny spent for an entire month. After seeing on paper how much money was spent on fast food, she started arranging for her brother to take her to a better grocery store and Sam's Club once a month. These choices offer better savings.*

Volunteer Success Story

- *Then the participant and I wrote letters to her creditors requesting settlement amounts and payment arrangements. Over a six month period, more than a third of the participant's debt was negotiated and resolved. Finally, we opened a savings account. By Christmas, the participant managed to save several hundred dollars, which was something she said she had never done before.*

Contact Information

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Mentoring For Success



Stephanie Lundgreen

Catholic Charities

**Director of Asset Building
Case Management**



Background

- Asset Building Case Management (ABC) began as a special initiative project of Catholic Charities of Southeast Texas in February 2008.
- It was adopted as one of the eight programs of Catholic Charities in January 2009.
- ABC has served 2200 people in five counties since its inception.

Why was ABC developed?

- Catholic Charities believes that mentoring families through the process of achieving their self-sufficiency goals can be an effective strategy for breaking the cycle of poverty.
- We wanted to help create a generational shift so that the children of clients will learn good money management skills from their parents.
- Providing financial education, especially regarding credit report issues can help remove the barrier to employment.

How does it work?

- ABC provides comprehensive long term case management services that assist low and moderate income families to achieve their self-sufficiency goals and housing security goals.
- We take a holistic view of the client's needs, which broadens the focus to include biological, psychological and social needs.
- We do not give families any financial assistance...we support them and connect them to community resources.

Community Resources

- VITA/EITC – Volunteer Income Tax Assistance & Earning Income Tax Credit : Saving money
- IDA – Individual Development Accounts : Match saving accounts for down payment, closing costs or college
- Down Payment Assistance Programs
- Habitat for Humanity – New homes



More Resources

- Housing Authorities : Down payment assistance and new homes
- CDC – Community Development Corporations : New homes
- Community Partners: Credit Coalition, Capital One Bank, Five Point Credit Union, Entergy Texas, Century 21 Real Estate, Covenant Community Capital

Financial Education

- Mentoring/Coaching clients on how to manage their finances better so that they can:
 - ✓ Not be worried
 - ✓ Know how to balance their check book
 - ✓ Understand how credit reports work
 - ✓ Be able to create and live within a family budget
 - ✓ Model good money management skills for their children
 - ✓ Save, Save, Save
 - ✓ Purchase a home of their own and/or go to college

Mentoring Client Families

- One size does not fit all family situations
- We take the time to get to know their story
- What are some of the obstacles that they have faced in life and with their finances?
- Does their immediate family and others in their life support their decision to improve their financial picture?

Support that really helps

- Help clients develop creative responses to negative people in their lives:
 - ✓ “We are saving to buy a house, so we would like to have a gift exchange for our extended family instead of buying a gift for each person.”
 - ✓ “I am brown bagging my lunch to work because I can save \$420 a year toward my child’s college fund...that’s \$2100 in five years!”
 - ✓ “I am still willing to have our whole family over for Thanksgiving and I will cook the turkey, however, I expect everyone to bring a dish and a beverage.....no I am not paying for everything.”

Guilt-Free-Zone

- We do not make our clients feel guilty on purpose.
- They already know that they are struggling to get it right.
- If they knew all of the answers they wouldn't be knocking on our door.
- They need to know that it is safe to confide in us when they make mistakes, or life just gets in the way.

Managing Expectations

- Be Honest
- Find out what a client wants to accomplish and help them set realistic goals
- We don't promise to have all of the answers
- We do state that we are willing to work with them long term (2-3 years)
- Be willing to teach clients how to advocate for themselves and how find resources in their community
- We expect the client to do all of the work necessary for financial change – we don't do it all for them

The Role of Peer Support

- In addition to one-to-one mentoring, peer-to-peer interactions are very important to the clients success.
- Working toward a goal with a peer group helps establish peer norms which create pressure to change behavior.
- It is important for the client to make their goals public within this group and be held accountable.
- Clients can share similar experiences and can provide mutual support and advice.

Tracking Progress

- Monitor these items in a monthly face-to-face meeting with your client:
 - ✓ Create an Individual Development Plan with the client to set their goals and to establish a timeline.
 - ✓ Give guidance to client to develop a workable family budget.
 - ✓ Teach client how to obtain and understand their credit report and establish a plan to improve it.
 - ✓ Teach client how to track spending
 - ✓ Help client develop a plan to pay down bills

Give Real Help

- Be available and flexible when helping your client with problem solving.
- Help your client complete applications and forms to help them meet their goals.
- Let them bring their child to a peer meeting so they won't have to miss out, or mail them their homework and handouts from the peer meeting so they won't get behind.
- Teach basic computer skills so that they can type up a dispute letter to mail to the credit bureau.
- Support their decision to miss your meeting because of their work schedule.

Celebrate

- Celebrate successes!
- In the peer-to-peer group publicly congratulate your client for reaching their goals.
- Attend the ribbon cutting or house blessing when your clients gets the keys to their new home.
- Take lots of pictures.
- Actively promote program success stories within your organization, with partner organizations and your community.

CONTACT

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Please call
1-888-674-0224**

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please e-mail - FinancialEducation@irs.gov**

