

Financial Literacy, Economic Stability, Upward Mobility

Networks Financial Institute

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Sargent Shriver National Center on Poverty Law



Shriver Center

- The Sargent Shriver National Center on Poverty Law is a national law and policy center that takes action to end poverty through policy development, communications, and impact litigation.
- Founded in 1967, based in Chicago
- www.povertylaw.org
- **Community Investment Unit:** building, owning, and protecting personal and financial assets



Asset Building

- An attractive notion, but a messaging conundrum – what is it exactly?
- A personal story



So what is it?

- Things other than monthly or annual income
- That make a person financially stable and upwardly mobile
- Things that make someone middle class



Such as?

- Savings
- Retirement investments
- Good credit and access to capital
- Avoidance of capital drains and bad credit
- Homeownership
- Personal capital – skills and credentials
- Social capital – relationships, communities



Shriver Community Investment Unit (CIU)

- Curie Metro Park Federal Student Run Bank
- SEED
- Children's Savings Accounts
- Portable pensions
- Asset limits reform
- Anti-predatory lending
- Community Reinvestment support
- Financial literacy



Shriver's other units also active in asset-building

- HS, GED, college, skills training
- Safety
- Affordable housing
- Child care access, affordability, quality
- Health coverage and access
- Criminal records



Preserve Consumer Assets

- Protect consumers from high-cost:
 - Check cashing and remittances
 - Payday loans and installment loans
 - Refund anticipation loans
 - Predatory mortgage loans
- Rate caps: the only effective payday reform
 - www.responsiblelending.org/issues/payday/reports/springing-the-debt-trap.html

Preserve Consumer Assets

- Use linked deposits, other strategies to promote:
 - Affordable small dollar loans with savings option
 - Direct deposit of tax refunds
 - Free checking accounts, second chance checking
 - ACH remittances or bank card transfers
 - Fixed rate mortgage loans based on ability to repay with fair terms and legal recourse for borrowers

State Asset Policy Coalitions

- Over 17 states now have coalitions working to promote asset building and asset protection policies
- Some are coordinated by nonprofits, others are coordinated by state agencies

Illinois Asset Building Group (IABG)

- is a diverse statewide coalition invested in building the stability and strength of Illinois communities through increased asset ownership and asset protection



Illinois Asset Building Group (IABG)

- IABG's work aims to:
 - Build personal and financial assets
 - Increase opportunities for savings and investment
 - Protect existing personal and financial assets
 - Promote financial education



Illinois Asset Building Group (IABG)

www.illinoisassetbulding.org



SEED

- National demonstration: in 12 communities, including Cherokee Nation and Oklahoma pilot (see www.cfed.org)
- 10-year initiative to develop, test, and promote matched savings accounts and financial education for children and youth



SEED

- National initiative led by CFED, the Center for Social Development, the Aspen Institute, the National American Foundation, and the University of Kansas
- Chicago SEED partners are Chicago Public Schools and CHASE



SEED

- Shriver Center and the William J. and Charles H. Mayo Elementary School
 - 82 SEED accounts to elementary school students
- Each accountholder received:
 - initial deposit of \$500 and
 - can earn a \$1:\$1 match up to a total of \$1,500



SEED

- SEED participants accumulated more than \$60,000 in their accounts, including matching funds
- The Shriver Center provided financial education classes after school to SEED participants
- SEED accountholders and families saved directly into 529 college savings accounts



SEED

- “..I can buy things and save at the same time.” --Kendall
- "SEED has taught me to get a good education and never drop out of school.” --Kevin
- “Without SEED, I probably wouldn't have a college fund.” -- Nicole



SEED



SEED

www.cfed.org



Children's Savings Accounts

- United Kingdom - Child Trust Fund for every child at birth, seeded with an initial government deposit, restricted until age 18.
- United States – ASPIRE Act introduced in Congress, touted by candidates (see www.newamerica.net)



Children's Savings Accounts

- **State Policy Initiatives**
 - **Illinois** Children's Savings Account Task Force (HB 1662 signed into law in 2007)
 - **Maine** – Harold Alfond Foundation provides \$500 grant to every Maine newborn for NextGen 529 College Investing Plan (pilot Jan. 2008, statewide 2009)
 - **Arkansas** - Aspiring Scholars Matching Grant Program will match savings up to \$500 for low-income families (launched in Jan. 2008)



Student Run Banks

- Illinois is 1 of 7 states in U.S. that has a financial education requirement before graduation
- However, there is no standardized curriculum for this requirement



Student Run Banks

- Lack of financial education and exposure to financially responsible role models often leads to:
 - poor financial decisions resulting,
 - E.g., mismanagement of money and high credit card debt
- Survey of 13,000 college students:
 - nearly half accumulated > \$5,000 in credit card debt
 - one-third accumulated > \$10,000



Student Run Banks

- give students the information they need to make good financial decisions and join mainstream banking



Student Run Banks

- **The model:**
 - Cardinal Branch of Mitchell Bank - Milwaukee, Wisconsin (opened 2000)
- **In Illinois:**
 - Curie Branch of Park Federal Savings Bank - Chicago, Illinois (opened April 2005)
 - Boys & Girls Club/Teen Center – Moline, IL



Student Run Banks

- **Curie High School branch of Park Federal Savings Bank**
 - located on the campus of Curie Metro High School
- **3 goals for the project:**
 - help students increase their financial knowledge & skills,
 - improve student access to mainstream banking, and
 - expand student job training and work experience in the high technology field of financial services



Curie High School branch of Park Federal Savings Bank

- developed skills that are useful to students in earning a high school diploma and accessing skilled jobs or post-secondary education
- a catalyst for economic and workforce development
- exposed unbanked and underserved to mainstream banking



Curie High School branch of Park Federal Savings Bank is just the beginning...

- Utah passed a law making a financial education course a graduation requirement for high school students:
 - In response, Utah Community Credit Union opened a student-run credit union branch at Provo High School
- Highlander Branch of County Bank -Fresno, CA (opened September 2007)
- North Fork Bank at Fordham Leadership Academy - Bronx, NY (opened October 2007)



It works.

- Students in mandated financial education programs post higher savings and net worth, compared to students who were not exposed to financial education curriculum in high school



It works.

In 2004, Kathy Las was a student banker at Curie



It works.

**In 2008, Ms. Las is a full-time
Park Federal Teller Supervisor**



It works.

Ms. Las is also a trainer of the new student bankers at Curie, shown with student banker Victor Perez



Curie Metro Park Federal Bank



Student Run Banks

- For more information:
 - www.povertylaw.org
(Community Investment Unit)



Financial Links for Low-income People (FLLIP)

- statewide coalition of banks, credit unions, advocates, government agencies, bank regulators, adult educators, private industry, and sponsors of IDA programs
- To provide financial management training to persons with incomes up to 200% FPL in Illinois



Financial Links for Low-income People (FLLIP)

- administered by Shriver from 2000 – 2006
- in 2006: was transitioned to U of I Extension; renamed *Your Money & Your Life* financial education program



Your Money & Your Life

- differed from other financial literacy programs because:
 - all students work from a core curriculum allowing for site comparison
 - stressed active engagement of participants in learning activities
 - written at a fifth-grade level and in a manner that takes into account the often-limited education of students
 - included real-life money management exercises that connect to students' day-to-day lives



Financial Links for Low-income People (FLLIP)

- To ensure that *Your Money & Your Life* was achieving the desired behavioral results:
 - Professor Steven G. Anderson of the University of Illinois at Urbana-Champaign directed a two-year evaluation of FLLIP



Financial Links for Low-income People (FLLIP)

- Students in FLLIP's *Your Money & Your Life* achieved significant knowledge gains:
 - saving more,
 - tracking their spending better,
 - opening bank accounts, and
 - participating in employee and public benefit programs that they previously did not utilize



Financial Links for Low-income People (FLLIP)

- Among those who previously did not have accounts when training was completed:
 - 37.8% reported opening a new checking account
 - 33.6% opened a new savings account
 - 55.7% said that they used currency exchanges less after completing training
 - 40.0% reported that they used payday loans less



Financial Links for Low-income People (FLLIP)

■ For more information:

- <http://web.extension.uiuc.edu/>
- www.povertylaw.org



Evaluation of Efficacy of Financial Education

- U.S. Treasury Department hosting a group of financial education researchers
- information will ensure that financial education curriculums of the future actually have their intended effect



Financial Literacy's Role

- Obviously, basic money smarts
- Budgeting leads to planning
- Maximizing the deployment of income
- Moving from balancing expenses to savings and investments
- Natural step to housing, health, school, training, safety, community, relationships



Importantly – Control

- Life is more than what happens to you
- SEED – kids thinking 8-10 years out
- Ambition and aspiration
- Working on one's own assets – building and deploying personal capital
- Realism, but leading to optimism and a sense of the possible



Information, taking control =

- Smart, savvy , confident decisions
- Shop for quality – schools, child care
- Not getting duped – credit cards, easy financing, shoddy contractors
- Prevention – smart, cheap health care strategies
- Valuing choice



Financial Literacy's extra value

- A valuable training for life's progress
- Every passage calls for informed decisions
- A sense of confidence and organization
- Attention to accumulation and deployment of assets of all kinds
- The stuff of economic stability and upward mobility



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