

Asset Driven Community Strategies

Why Asset Focused Strategies?

Mission:

Fight poverty and the causes of poverty and create opportunities that afford a way out of poverty and prevent people from falling into poverty

Assets lead to wealth and economic security.

Income alone does not.

**Income is what you earn. Assets are
what you own.**

**Asset Poverty: Insufficient assets to
keep a household out of poverty for 3
months without income**

The disparity in the distribution of assets is even greater than the disparity of income

- 26.6% of the U.S. population has a total net worth of less than \$5000.
- 83% of all US Stocks are in the hands of 1% of the people.
- 36% of Americans say they do not contribute to a retirement savings.
- The bottom 50% of income earners in the US collectively own less than 1% of the nation's wealth.
- The top 1% of US households own nearly twice American's corporate wealth as they did just 15 yrs. ago
- Despite the financial crisis, the number of millionaires in the US rose 16% to 7.8 million in 2009.

4 Ways to Affect Poverty

1. Increase Income

2. Decrease Expenses

3. Increase Assets

4. Decrease Debt

Paradigm Shift is Needed:

Efforts to combat poverty generally consist of income based policies.

Wealth creation involves asset based policies.

More than 45% of FY 2005 Asset strategy benefits went to the top 1% of households, whose average income exceeded \$1 million (most based on Tax Credits)

Income Based Policies	Asset Based Policies
Eligible households divest themselves of all assets to qualify for assistance	Goal: move people toward economic security
As earnings (income) increases, assistance is removed	Increase overall net worth: assets minus liabilities (factors income, debt)
Disincentive for upward economic mobility	Increases the personal, social and economic well-being of low income households – rewards intrinsic change
Historically, most gov't asset initiatives classes – eliminated the lower income Mortgage interest deduction, tax breaks Higher education, business development	Have been aimed at middle and upper By working through tax incentives (home For retirement savings, capital gains, And expansion

Asset Strategy and Community Impact

- Asset ownership has economic, social and psychological benefits to individuals and to the household
- Asset ownership benefits the neighborhood, and the community....*behavior patterns are contagious in the neighborhood...*
- Neighborhood patterns are contagious in the community
- Incentivizes upward economic mobility
- Services need to be supportive as income increases....sliding scale over longer time frame ...transitions people off supports in natural manner
- Key services that are currently problematic: HEAP, Section 8, Medicaid, Food Stamps, Weatherization
- All support services need to have a financial education and system education component and a plan associated with delivery
- Service design needs to reward positive behaviors and penalize negatives

How Do New York's Asset Policies Compare?

The Corporation for Enterprise Development scores states on asset policies.

New York: 28th

1. Financial Assets and Income - C
2. Businesses and Jobs - B
3. Housing and Homeownership - **F**
4. Health Care - B
5. Education – C

<http://assetsandopportunity.org/scorecard/>

CFED's 12 Policy Priorities

- Lifting asset limits in public benefit programs
- State earned income tax credits
- State IDA program support
- Payday lending protections
- State microenterprise support
- Predatory mortgage lending protections
- First time homebuyer assistance
- Housing trust fund
- Access to health insurance
- Early childhood education
- Access to quality -12 education
- College saving incentives

Asset Building Strategies:

Managing Income

- Ability to cash paycheck
- Ability to deposit a paycheck
- Savings account
- Understanding and using tax credits EITC, Dependent Care
- Using flex plans – medical and child care
- Managing health care costs
- Looking for better paying job

Managing Expenses

- Budgeting/View monthly expenses and find cuts
- Utilities on budget plan
- Automatic deductions to pay bills
- Buy in bulk
- Monthly meal planning/shopping (coupons and co-ops)
- No mall trips, catalogues

Asset Building Strategies

Transacting

- Cash
- Money orders
- Wire transfers
- Checks
- Debit cards
- Credit cards
- Strategizing a purchase

Saving

- Hiding checks
- Savings accounts/IDAs
- Holiday club accounts
- Certificates of deposit
- Money market accounts
- Individual Retirement Accounts
- Employer sponsored retirement accounts
- 529 Plans, Education IRAs, Prepaid tuition

Asset Building Strategies

Investing

- Own a business
- Stock and bond mutual funds
- Government securities
- Stocks
- Using free tax preparation
- Avoid refund anticipation loans
- Access credit counseling
- Bonds

Leveraging

- Loan to purchase a car
- Mortgage to purchase a home
- Home equity to fund home repairs or improvements or real estate purchases
- Business equity to fund expansion
- Credit to secure low interest rates

Asset Building Strategies

Protecting (risk management)

- Saving for emergencies
- Maintenance – auto, home, skills, health care
- Insurance – home, health, life
- Tax shelters ...trusts etc.

Our Challenge in the Paradigm Shift

- Mismatch between asset building opportunities and the goals or motivations of customers
- Aligning new offerings with customer realities and needs
 - Understand how customers are using their money now and how they intend to use money they get
 - Understand empirically the wants and needs of customers
 - Develop services and strategies that address those needs and wants
 - Help customers to project long term results of choices
- Assisting customers to accrue assets while not cutting off critical public benefits too early
- Develop and design asset building strategies that connect with customers and help them to realize their own dreams and goals

Asset Based Thinking: A New Way of Living

- Delayed Gratification/Psychology of Money
- Goal Setting/ Personal Accountability
- Follow strategic personal plan/Incremental Milestones
- Intrinsic rewards coming from personal success/Peer Support Groups
- Long and short range plans

Three Pronged Approach

<u>Individuals and Families</u>	<u>Community Building</u>	<u>Capacity Building</u>
<i>Assisting low income people to become self sufficient and the conditions in which low income people live are improved</i>	<i>Low income people own a stake in their community and Partnerships among supporters and service providers are achieved</i>	<i>Agencies increase their capacity to achieve results and low income people achieve their potential by strengthening family and other supportive systems</i>
Education	Coalition Building	Technology
Housing	Homeownership	Staff Development/ Succession Planning
Employment	Business Development/Cottage Industry	Community Awareness/ Breakdown Institutional Barriers
Health and Access to Care	Entrepreneurialism/ Apprenticeships	Facilitate Community Connectivity
Relationships	Housing Options	Civic Involvement
Child Care	Mobilizing and Supporting Grassroots Initiatives	Community Service
Financial Literacy	Neighborhood Revitalization	Advocacy

Preparing customers and services

- Psychology of \$\$
- Managing Income
- Managing Expenses
- Transacting
- Savings
- Root of \$\$ in your life
- Teach to be goal driven/rather than reactionary
- Delayed gratification - ISSP
- Get unbanked banked and reduce debt/improve credit scores
- Investment clubs/celebrate delayed gratification

How to Reinforce Asset Thinking

- Service Re-design: ladder out of poverty
- Customer choices/learning and reinforcing new behavior patterns
- Customer accountability and responsibility
- Customer education and systemic analytical thinking
- Celebrate milestones: (reinforce positive choices and changes)
- Long and short range outcomes
- Incentives for success
- Deterrents for old patterns

Services that Support Asset Development

- Entrepreneurialism
- Small Business Development Assistance
- Cottage Industry Development
- Small Business Incubator
- Lending: Business/
Appliance/Housing
- Business Start up and Expansion
- EITC
- IDAs for Homeownership,
Education, Vehicle, Business,
Bankable
- Children's Savings Accounts
- Financial Literacy
- Fighting Predatory Practices
- Homeownership
- Life Skills/Pre Financial Ed. Prep
- Expand Housing Options
- Housing Rehab and Home
Improvements
- Alternative Energy Options
- Community Partnerships /Code
Enforcement and Infrastructure
Leverage
- Neighborhood Revitalization:
Strategic neighborhood
investment
- Grassroots initiatives
- Leverage small business loans /
benefits and wages for
employees

How can current resources be used to promote Asset Development?

- HEAP
- Weatherization
- Earned Income Tax Credit

Contact Information

Bill Vogt

Housing and Community Development Director

Chautauqua Opportunities, Inc.

402 Chandler Street, Jamestown, NY 14701

(716) 661-9430

bvogt@chautopp.org