

## ASSETS & CED

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ASSET BUILDING  
POLICY PROJECT

## PROJECT DESCRIPTION

The Asset Building Policy Project unites **individual-development** and **community-development** policy to create opportunities and assets that will help families and communities thrive

It is a five-year (5) project of CEDAM



## Policy Context for Asset Building

- U.S. Policy has been very good at helping people build wealth:
  - Home mortgage Deduction
  - GI Bill, Homestead Act
  - Now, IRAs, 529 Education, and other tax deferred accounts
- U.S. forgoes \$355 Billion in tax revenues annually to help families build wealth and financial security

## Not for Working Poor Families

- 90% of the benefits from those policies go to households with incomes over \$50,000
- Tax-based incentives are meaningless to most lower-income households
- "Safety Net" programs typically require families to deplete assets in order to access safety net programs

## Snapshot of Asset Poverty

- Between '83 to 2000 Income Poverty fell by 16% while Asset Poverty rose by 14%
- By 2000 13% of Population is Income Poor but over 25% of the Population is Asset Poor
- In Michigan 11.5% is Income Poor but 18.7% is Asset Poor
- Minorities Families have 1/16<sup>th</sup> the Net Assets of White Families

## Asset Poverty Research

- Nearly 1 in 5 households owes more than owns!
- Who is Asset Poor?
  - Renters
  - Female-headed Households
  - People of Color
  - Young Families
  - Less than High School Diploma

## New Partners...

This Project has Connected Michigan with broad network!



## Assets and Opportunity Scorecard: Financial Security Across the States



- Most comprehensive tool yet to measure ownership and financial security at the state level
- Benchmarks the 50 states plus Washington D.C. on 31 asset outcomes and 38 state asset policies

## Michigan Rates An Average “C”

Index	Grade	Rating
Financial Security	C	Substandard
Business Development	D	Substandard
Homeownership	B	Standard
Health Care	B	Substandard
Education	C	Favorable
Tax Policy and Accountability		Favorable
<b>Overall Performance</b>	<b>C</b>	<b>Substandard</b>

## Noteworthy Numbers: Michigan

□ **Good News:**

Ranked # 5 in Homeownership rate  
 Ranked # 8 in degrees by race and Head Start

□ **Not so Good News:**

Ranked # 44 in foreclosure rate  
 Ranked # 48 and # 46 in small business ownership and microenterprise ownership  
 Ranked # 29 and # 36 in number of two and four year degrees

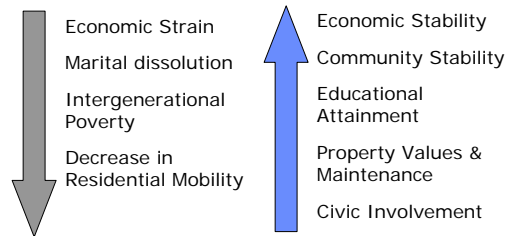
## Asset Poverty Research in MI

- Local Asset Poverty Index (LAPI)\* calculates Asset Poverty at the County Level
- Developed by the Community Research Institute at [Grand Valley State University](#)
- Full Report due in Fall

## Asset Poverty Research in MI

- In Michigan, 18.7% are Asset Poor
- Highest Rate are found:
  - Wayne County – 32.3%
  - Calhoun County – 28.7%
  - Ingham County – 28.3%
  - Berrien County – 26.2%
  - Saginaw County – 25.4%
  - Kalamazoo County – 25.1%

## RESEARCH: The Asset Effect



## The Michigan IDA Example

### Social Policy as Economic Development Policy

- Individual Development Accounts (IDAs)
- Matched savings accounts for working families to help stabilize lives through financial planning, money management, credit counseling, savings
- And investment in high return activities:
  - Homeownership
  - Business Development/Expansion
  - Post-secondary Education

## IDAs by the Numbers!

### A Real Success:

- 1700 total Accounts in the State since 2001
- 826 families completed the program
- Families save \$1000 of earned income and get \$2000 or \$3000 in match:
  - 113 small businesses created/supported
  - 144 used for Education & Skill Enhancements
  - 569 Purchased Homes
  - Nearly \$50 million in Mortgage Leveraged
- A small but important demonstration in Michigan

## The Asset Building Coalition (ABC) for Michigan

- Released CFED's [Assets & Opportunities Scorecard](#) as a benchmark – May 2005
- Convened a bi-partisan diverse group of government, legislators, private & non-profit interests – June to October 2005
- Met over a 6 month period to research and review new & existing state policy options to help families build wealth
- Published Report: [Helping Working Families Achieve Financial Security](#) – January 2006

## A New Conversation in Lansing

- ❑ In what ways do existing policy support the creation of assets for working households to become more financially secure?
- ❑ What new policy could provide the same type of asset building opportunities to working but poor families that middle and upper income HH currently use to build and maintain financial security?
- ❑ What policies could provide scale to serve all lower-income households as tax policy does with others?

## A New Language, New Partners

### "Asset Creation & Preservation"

#### An UMBRELLA Approach

Asset building serves as a common thread which ties together uncommon, and sometimes, unlikely partners.

#### Asset Building

Community  
Development  
Affordable  
Housing

Human  
Services

Economic  
Development

## FINAL REPORT: Four Goals

- ❑ **Help Working Families Save and Invest in their future**
- ❑ **Help Families Build Financial Security through Ownership of Assets**
- ❑ **Help Families Leverage their Limited Resources**
- ❑ **Help Families value, participate in, and complete higher education and skill training**

## Help Saving and Investment

### Short-Term Action:

- ❑ Support IDA Programs with annualized funding in the MSHDA & DHS Budgets
- ❑ Create active consumer role at OFIS

### Long-Term Solutions:

- ❑ Create a portable retirement plan that is available to all Michigan residents
- ❑ Create Universal Children's Savings Accounts

## Help Build Financial Security through Ownership

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### Short-Term Action:

- ❑ Utilize existing economic development resources to encourage micro-enterprise and entrepreneurship

### Long-Term Solution:

- ❑ Increase affordable home ownership opportunities by securing a general fund commitment to fund the [Michigan Housing & Community Development Fund](#)

## Help Families Leverage Limited Resources

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### Short-Term Action:

- ❑ Encourage saving for long-term goals (retirement & education) by eliminating asset limit rules

### Long-Term Solutions:

- ❑ Enact a state companion to the Federal Earned Income Tax Credit
- ❑ Make every tax season a savings season

## Help Families Complete Higher Education & Skill Training

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### Short-Term Action:

- ❑ Connect all Michigan citizens to quality financial education, starting with inclusion in the proposed high school standards

### Long-Term Solution:

- ❑ Reform the Michigan Education Savings Program (MESP) to be more progressive and inclusive (workforce development)

## State Asset Policy & Michigan

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- ❑ Michigan is alive with Asset Building Policy & Practice (IDAs, SEED, EITC, 529s)
- ❑ Six (6) states, including MI, have coalitions discussing broader state policy implications focused on Asset Building (PA, HA, IL, CA, DE)
- ❑ States offer a playing field to test out policy ideas
- ❑ States can enact policy more quickly than federal policy
- ❑ State Policy spreads from state to state and could end up the next federal asset policy (e.g., Social Security)

## How Can You Help?

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- Tell us which of these policies should be our **highest priority**
- Help us build and maintain a **bi-partisan dialogue** on these issues
- As we develop **legislative leadership**, help us remain strategic as we move this agenda

## For More Information

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## OR

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