

Financial Empowerment Program for Reach-Up Families

“Low income families cannot fight their way out of poverty if they do not have the tools to achieve permanent economic stability...”
- Mary Watson Grote, Spotlight on Poverty & Opportunity

Are there financial tools that can help families do more than “pay the bills”? How do we reward families for getting ahead? How do we help families to build financial resiliency to weather economic storms?

This initiative will bring financial empowerment strategies - financial education, coaching, credit building and repair, savings tools/incentives, and access to mainstream banking – into the Reach-Up program.

Joint proposal from Vt’s 5 Community Action Agencies – Builds on the success and expertise of the Vermont IDA program (matched savings and financial education) at Community Action; and on the pioneering work of CVOEO and CVCAC in credit building. Includes partnership of district Reach-Up staff with local Community Action Financial Coaches and joint training/knowledge transfer to Reach-Up staff.

Reasons for consideration:

- **Moves people towards stability faster and long-term.** Builds the critical foundation for self-sufficiency.
- Creates incentives that reward people for getting ahead.
- Starts with basic money management, prioritizing expenses and reducing unnecessary spending (thus increasing available income).
- Promotes understanding and use of safe, mainstream banking (know-how to navigate, eliminates fear, pay less for financial transactions, avoid predatory lending).
- Increases access to affordable/fair options for housing, employment, insurance (car, etc), utilities, loans (student, car, etc) through better credit.
- Builds family savings for emergency or another goal. Savings/Assets help prepare for the future and act as a cushion in tough times.
- Reduces household debt through credit repair.
- Teaches and reinforces healthy family financial practices/habits.
- Achieving stability through financial empowerment can help people believe in themselves and their ability to become financially independent. Personal financial goals are an important motivation.

Informed by:

ASSET Initiative, US Administration for Children and Families,
<http://www.acf.hhs.gov/programs/ocs/resource/asset-initiative-0>

cfed, Integration & Innovation: Lessons from Organizations Integrating Asset Building into Social Services,
http://cfed.org/knowledge_center/resource_directory/search/integration_innovation_lessons_from_organizations_integrating_asset_building_into_social_services

cfed, Household Financial Security Framework,
http://cfed.org/knowledge_center/household_financial_security_framework/

Financial Empowerment Program for Reach-Up Families

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FINANCIAL EDUCATION CLASSES (Examples from CVOEO)

- *Spend Smart* (4 hrs): goal setting, expense tracking and budgeting
- *Keeping on Track* (1 hr/month): combo class/peer support group for ongoing hands-on help
- *Keys to Credit* (2 hrs): fundamentals of credit reports, scores and how to build credit

FINANCIAL COACHING

Individualized goals/support in-person, by phone, email, texts from 5 full time coaches @ Community Action

Classes & coaching include content on credit, banking and savings and are required for: credit building loan, second chance account, family savings account or IDA.

MANAGING CREDIT & DEBT

- Credit Report/Score Review
- Credit Action Plan
- **CREDIT BUILDING LOAN/PRODUCT** – e.g., “tracker loan”, secured credit card
- Referrals for serious debt issues, bankruptcy, collection/lawsuits

SAFE, MAINSTREAM BANKING & LENDING

- **“SECOND CHANCE” & low barrier bank accounts**

SAVINGS & PLANNING

- Family Savings Plan
- Asset-Specific Support to Maximize \$\$ (i.e., car coach, homeownership counseling, etc)
- **INDIVIDUAL DEVELOPMENT ACCOUNTS (IDA)**
 - LIMITED (ASSET) PURPOSE: 1st home, business, education/training
 - **\$\$ MATCHING:** Save up to \$500/year for two years, matched 2:1 (federal and state), possible total of \$3,000
 - For households up to 200% FPG
- **FAMILY SAVINGS ACCOUNTS**
 - BROAD PURPOSE: emergency savings for unexpected events, car, employment-related goal (e.g., equipment), education activity for kids (e.g., school band), paying down debt, other goal related to housing/work
 - **\$\$ BONUS FOR: Starting** (open account), **Saving Early** (1st three months), **Saving Steady** (every month), **Keeping a Job** for 6 months
 - **\$\$ MATCHING:** Matched every dollar saved up to \$500/year for two years. Saving this much may be out of reach for a family; the goal is to choose and commit to the right amount to regularly save based on a household budget.
 - Up to ~\$2,350 total possible