Asset development is an emerging approach to promoting self-sufficiency for low-income workers. By promoting and rewarding savings, asset development strategies encourage individuals to set long-term economic goals. Asset development strategies can accomplish the following objectives: (1) give low-income workers the knowledge required to navigate issues related to asset building; (2) accumulate assets without disqualification from participating in income benefit programs; and (3) access savings mechanisms for which they are eligible (for example, housing-based accounts available to residents of public housing). A variety of resources regarding asset accumulation for low-income workers are available in print or on the World Wide Web. The following programs are among noteworthy asset accumulation programs: (1) the federal Assets for Independence Demonstration Program, which encourages low-income individuals to accumulate assets by matching individuals' savings with federal and private funds; (2) California's Worker Income Security Project, which offers individual development accounts and financial literacy training to low-income workers; (3) Massachusetts' Full Employment Program, which allows welfare-to-work clients to build savings by depositing $1 for every hour worked in their first year of employment; and (4) Oregon's program requiring employers to deposit $1 for every hour worked by their employees who are welfare-to-work clients. (Contains a list of 13 publications, electronic resources, and resource contacts.)
Encouraging Asset Development for Low-Income Workers
Encouraging Asset Development for Low-Income Workers

Asset development is an emerging approach to promoting self-sufficiency for low-income workers. Because they promote and reward savings, asset development strategies encourage individuals to set long-term economic goals. The important role these strategies can play in the lives of the low-income families is signified by the fact that many low-income workers lack the knowledge required to navigate issues related to asset building and an estimated 10-20 percent of American households do not have access to savings or checking accounts (Boshara, 2001). As a result, many are dependent on non-traditional institutions that charge high fees and interest rates for their services, discouraging savings accumulation. Furthermore, a number of traditional savings mechanisms exclude low-income families because they are based on tax benefits for which they do not qualify. Additionally, accumulating assets may disqualify these families from participating in income benefit programs like food stamps, if their assets exceed specific levels.

Interest in asset building began in the 1970's with development of contribution retirement plans such as Individual Retirement Accounts (IRAs). The impetus to include low-income workers in similar savings plans came with the advent of welfare reform and the introduction of Individual Development Accounts (IDAs). IDAs are dedicated savings accounts containing deposits by low-income workers that are matched by private and or public sources. Use of the savings accrued in IDAs is restricted to post-secondary education and training, business capitalization, and home ownership. Account balances held in IDAs that are funded through Temporary Assistance for Needy Families (TANF) are excluded in eligibility determination for all means-tested federal benefits. The Assets for Independence Act enacted in October 1998, provides federal funds for the operation of IDA programs at the state and local level.

There are also additional resources designed to encourage savings or to provide access to a wider array of employment and income options. Housing-based accounts, available to residents of public housing and recipients of Section 8 vouchers allow low-income residents to accumulate financial assets toward rental expenses by diverting funds that are otherwise paid to public housing agencies. Individual Learning Accounts focus specifically on using savings for education and training related to job retention and advancement.


Publications and Electronic Resources


**Resource Contacts**

Center for Social Development, Washington University, contact Michael Sherradan at 314/935-7433, sherrad@gwbssw.wustl.edu or visit http://gwbweb.wustl.edu/csd/.

Center on Budget and Policy Priorities, contact Zoe Neuberger at 202/408-1080, neuberger@cbpp.org or visit http://www.cbpp.org.

Center on Hunger and Poverty, Asset Development Institute, Brandeis University, contact Larry Beeferman or Sandy Venner at 781/736-8885 or visit http://www.centeronhunger.org/.

Joint Center for Policy Research, contact: Barbara Ray, hiredpen@rcnchicago.edu or visit http://www.jcpr.org.
Federal Programs

The Assets for Independence Act (AFIA), under Title IV of the Community Opportunity, Accountability, and Training and Educational Services Act of 1998, established the Assets for Independence Demonstration Program. AFIA authorized the Department of Health and Human Services to conduct the demonstration for five years beginning in FY 1999. The program provides competitive demonstration grants for projects to establish, support, and evaluate IDAs for low-income individuals and families. The purpose of the demonstration is to encourage low-income individuals to accumulate assets by matching an individual's savings with federal and private funds in order to determine the effects of asset accumulation incentives on the well-being, savings behavior, and stability of low-income families and their communities. AFIA builds on the IDAs authorized under the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA). Similar to TANF, AFIA IDAs may be used for education and training, business capitalization and/or home ownership, but are not restricted to those eligible for TANF. Contact Sheldon Shalit, 202/401-4807; sshalit@acf.dhhs.gov.

State and Local Programs

In California, the Worker Income Security Project (WISP) targets workers at small and mid-sized manufacturing firms in the Los Angeles area who earn less than $28,000 annually. In addition to offering IDAs, WISP offers participants financial literacy training and work-based English as a Second Language training. Worker contributions to IDAs are matched at a 2:1 ratio and withdrawals, although discouraged, are allowed for emergency situations. In addition to traditional IDA savings goals, low-risk financial investments (Certificates of Deposit, Education IRAs, Mutual Funds and Savings Bonds) are offered with the stipulation that they must remain in the participant’s portfolio for a minimum of 3 years. For more information, contact Maria Carmona at Community Technologies, 213/763-2520, ext.232 or cmaria@cdtech.org.

The Massachusetts, Full Employment Program uses TANF funds to help welfare-to-work clients build savings by depositing $1.00 for every hour worked (up to 40 hours a week) into an Individual Asset Account for the first year of employment. Employers must agree to keep these workers for at least one year, to pay them wages comparable to those of non-TANF employees, and to provide comparable training. In turn, they are reimbursed $2.50 for each hour worked up to 40 hours a week for the first year. Employee participation in the Full Employment Program ends after one year, at which time participants receive the accrued savings to use in any way they wish. For more information, contact Shawn Healey, 617/348-5468. Massachusetts also offers the opportunity to maintain rent escrow accounts to residents of state subsidized family housing. The pilot program allows participating households, who in conjunction with the local housing authority (LHA), develop and adhere to a Participation Agreement, to place a portion of their rent into an escrow account held by the LHA. Participation is voluntary and is on a first come, first serve basis. Participants must meet program eligibility requirements. The Department of Housing and Community Development (DHCD) contributes $1 for every $2 of rent placed in the account, and accounts are not to exceed $10,000. The amount escrowed is based on the amount of earned income. Within 6 months of moving from public housing, the household must use its escrow funds for costs of transitioning to non-subsidized private housing or forfeit the unused balance in the escrow account. Contact Maura Hamilton, Massachusetts Bureau of Asset Management, DCHD, 617/727-7130, ext. 650.
Oregon is using TANF funds to build savings for welfare-to-work clients by requiring employers to deposit $1 for every hour worked into Individual Education Accounts (IEA). Employers who hire JOBS Plus participants are reimbursed for a portion of the wages and taxes paid for that worker for up to six months. After the first 30 days of employment, $1 is deducted from the employer’s reimbursement for each hour the JOBS Plus participant works. IEA funds are set aside for education expenses once the participant has completed their JOBS Plus employment. The participant becomes eligible to receive these funds if they obtain full-time employment for 30 days after leaving JOBS Plus. The funds can be accessed for up to 5 years and can be used by anyone in the participant’s immediate family for expenses related to tuition, books, fees and supplies. Unused funds are transferred to the Oregon Opportunity Need Grant after 5 years. As of the end of January 2002, 21 percent of eligible participants have claimed their funds. For additional information, contact Phil Laymon, 503/945-6128.

In Montgomery County, Maryland, the Family Self-Sufficiency (FSS) Program assists public housing and Housing Choice voucher recipients in accumulating assets. The five-year program helps residents accumulate assets by putting that portion of their rent payments, which are the increases in rent from when they began the program, (if the rent increases were due to increased earned income) into an interest-bearing escrow account. These savings can be used for any purpose, if and when the participants successfully complete the FSS program. FSS participants enter a five-year contract that requires them to seek and maintain employment, and to leave welfare. For additional information, contact Nancy Scull, Housing Opportunities Commission of Montgomery County, Maryland at 301/929-5679 or at scull@hocomc.org.

WIN Staff Contact: Pamela Friedman, (202) 587-1000, pfriedman@financeproject.org

The Welfare Information Network is supported by grants from the Annie E. Casey Foundation, the Charles Stewart Mott Foundation, the David and Lucile Packard Foundation, the William and Flora Hewlett Foundation, the Ford Foundation, and the Administration for Children and Families, U.S. Department of Health and Human Services.
NOTICE

Reproduction Basis

This document is covered by a signed "Reproduction Release (Blanket)" form (on file within the ERIC system), encompassing all or classes of documents from its source organization and, therefore, does not require a "Specific Document" Release form.

This document is Federally-funded, or carries its own permission to reproduce, or is otherwise in the public domain and, therefore, may be reproduced by ERIC without a signed Reproduction Release form (either "Specific Document" or "Blanket").

EFF-089 (3/2000)