



# **Financial Capability and Asset Building for All**

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GRAND CHALLENGES FOR SOCIAL WORK INITIATIVE

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Grand Challenge: *Build Financial Capability for All*

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# GRAND CHALLENGES FOR SOCIAL WORK INITIATIVE

The Grand Challenges for Social Work are designed to focus a world of thought and action on the most compelling and critical social issues of our day. Each grand challenge is a broad but discrete concept where social work expertise and leadership can be brought to bear on bold new ideas, scientific exploration and surprising innovations.

We invite you to review the following challenges with the goal of providing greater clarity, utility and meaning to this roadmap for lifting up the lives of individuals, families and communities struggling with the most fundamental requirements for social justice and human existence.

The Grand Challenges for Social Work include the following:

- Ensure healthy development of all youth
- Close the health gap
- Stop family violence
- Eradicate social isolation
- End homelessness
- Promote smart decarceration
- Reduce extreme economic inequality
- Build financial capability for all
- Harness technology for social good
- Create social responses to a changing environment
- Achieve equal opportunity and justice
- Advance long and productive lives

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Working Paper

# Financial Capability and Asset Building for All

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In order to achieve financial security, people must be financially capable and able to accumulate assets. We propose to engage social work in the task of building financial capability and assets for all in an effort to reduce poverty and inequality. This grand challenge focuses on two initiatives that have broad implications for social work practice, education, and research. First, we propose a universal, progressive, and lifelong system of asset building that would begin with a Child Development Account opened automatically for each newborn. With funding flows from multiple public, nonprofit, and private sources, the accounts would grow in value over time, and individuals would use the accumulated assets for education, home purchase, retirement, and other social development goals. Second, we propose a web-based Financial Capability Gateway to enroll people automatically in key financial services and to provide financial information. The Gateway will enable social workers to promote financial capability at all levels of practice.

Key words: Assets, Child Development Accounts (CDAs), financial capability, Financial Capability Gateway, financial inclusion, household finances, social work practice

## FINANCIAL CAPABILITY AND ASSET BUILDING: NO LONGER OPTIONAL

Two key trends in the information age have affected financial well-being. First, everyday life has become highly financialized in a way that underscores the growing importance of the financial sector in the economy (Epstein, 2006). This affects the lives of all Americans, including people with low incomes. Everyday life now requires highly developed financial skills and knowledge. In the past, people could live in a cash economy. Today that is nearly impossible. Two pervasive examples illustrate this point: A credit score determines one's ability to borrow money, rent an apartment, and even obtain a job; and credit or debit cards are required for increasing numbers of financial transactions (Johnson, 2011). Individuals and families, especially those with low incomes, face enormous obstacles in conducting their financial affairs. Many have insufficient understanding of their options in managing money, using credit, acquiring assets, choosing insurance, paying taxes, saving for emergencies, and planning for long-term financial security and development (Lusardi, 2011). Simultaneously, many of the financial products and services that are available are not accessible or are inappropriate for people with few economic resources.

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These challenges affect people across the life course, and failure to overcome them can have profound effects.

The second key trend, developing alongside the increase in financialization, is the growing competitiveness of globalized labor markets (Easterly, 2004). Workers in some sectors are increasingly exposed to competition with counterparts in other countries. Thus, labor markets are becoming less secure, and labor income is increasingly unstable. The proportion of income from human capital is declining, and the proportion from financial capital or assets is growing (Cynamon & Fazzari, 2014). Asset income goes increasingly to the top (for a recent explication, see Piketty, 2014). Because of these two trends, inequality of income and inequality of assets are rising in most countries today (Piketty, 2014).

These trends indicate that labor income is no longer a sufficient foundation for well-being. People require *financial capability* and *accumulate assets* if they are to satisfy basic needs, aim for financial security, and reach their potential. Building financial capability and assets for all—and particularly for vulnerable populations—is a grand challenge for social work.

The concept of financial capability connotes both *ability* and *opportunity*: Financially capable people possess both the ability and the opportunity to improve their financial well-being by acting in their best interest (Johnson & Sherraden, 2007; Sherraden, 2013). This framework has two main components. To be financially capable, people must have (a) financial knowledge and skills as well as (b) access to sound financial products and services, including access to opportunities for building savings and other assets. In other words, financial capability is not entirely a matter of changing individual behavior. Rather, the idea reflects a core perspective in social work's person-in-environment concept: recognition of the relationship between people and social institutions (Kondrat, 2002). Therefore, efforts to improve financial capability include changing individual behavior and, at the same time, changing institutions to increase access to financial opportunity.

Financial capability is a central concern for social work because lack of financial knowledge, ability, opportunity, and assets are key contributors to poverty and inequality. Consider two examples from opposite ends of the life span. If families lack financial capability, they are much less likely to have stable housing, access to good schooling, and the ability to help their children obtain postsecondary education (Grinstein-Weiss, Williams Shanks, & Beverly, 2014; Huang, Nam, & Sherraden, 2013; SallieMae & Ipsos, 2014). In families that lack such advantages, earnings are likely to decline across generations and the risk of poverty is likely to grow. At the other end of the life span, the cumulative effects of financial incapability are revealed in the lives of older adults who lack personal savings, retirement plans, and diversified investment portfolios (Emmons & Noeth, 2014; see also Gillen & Kim, 2014; Haron, Sharpe, Abdel-Ghany, & Masud, 2013; Lusardi & Mitchell, 2007; Nam, Lee, Huang, & Kim, in press; Shapiro, Meschede, & Osoro, 2013). The effects, combined with exposure to financial scams (White House, 2011) and possible cognitive and physical decline, subject older adults to the risk of poverty and may prevent them from passing along assets to the next generation.

How do we improve financial knowledge (ability to act) and advance financial inclusion (opportunity to act) for everyone? How do we expand opportunities to build assets as part of efforts to improve financial capability?

In answering these questions, we build on social work's core values and fundamental principles: inclusion, progressivity, empowerment, and development. In other words, social work's effort to improve financial capability and household assets should reach the full population (inclusion), provide greater benefits to vulnerable populations than to the wealthy (progressivity), facilitate people's participation in decision making in the financial system (empowerment), and promote long-term financial security and reduce economic inequality (development). Focusing resources on improving the financial capability and asset building of vulnerable populations provides social workers with leverage in their efforts to reduce poverty and inequality while improving financial well-being in those populations. By developing financial capability and assets across all sectors of the population, social workers can improve the financial futures of families.

### **SOCIAL WORK PRACTICE IN HOUSEHOLD FINANCES**

This grand challenge is hardly new to social work. One hundred years ago, the profession focused on household economic life. In helping families adjust to an industrial economy, social workers urged them to manage their households with thrift and to save (Stuart, 2013). By the mid-20th century, however, social workers had largely abandoned this focus on practical family finances (Specht & Courtney, 1995; Stuart, 2013). Today, no profession adequately addresses the need in ordinary American households, especially the most financially vulnerable ones, for financial capability and asset ownership. Nonetheless, in a context of growing inequality of income and assets, attention is turning to the financial well-being of those on the bottom of the socioeconomic ladder. The time is right for social work to renew its focus on core financial matters and to provide direction for policy and practice (Birkenmaier, Sherraden, & Curley, 2013; Jacobson, Sander, Svoboda, & Elkinson, 2011; Sherraden, Birkenmaier, & Collins, 2015).

The groundwork for this grand challenge is already being laid. For two decades, social workers have been involved in pioneering research, policy, practice, and education in financial capability and asset building. In this work, they have used multiple methods across diverse settings (Beverly, 2002; Jacobson et al., 2011; Nam, Kim, Clancy, Zager, & Sherraden, 2013; Schreiner & Sherraden, 2007). Today, social workers promote family financial security by helping clients obtain public benefits, low-cost food, affordable housing, down-payment and closing-cost assistance, foreclosure-prevention assistance, banking services, financial coaching, and financial education (Administration for Children and Families, 2015; Swanstrom, Winter, Sherraden, & Lake, 2013). Social workers engage in economic empowerment as they work with survivors of intimate partner violence, facilitating access to financial education, bank accounts, and microloans (Sanders, 2013). They combat predatory lending, offer financial planning services, and provide legal assistance for older adults (Morrow-Howell & Sherraden, 2014). Social workers organize and staff Voluntary Income Tax Assistance and Tax Counseling for the Elderly sites across the country, helping filers claim millions of dollars via the Earned Income Tax Credit

and the Child Tax Credit (Halpern-Meekin, Edin, Tach, & Sykes, 2015; Romich, Keenan, Miesel, & Hall, 2013; Wagner, 2013). Social workers lead outreach and education campaigns to encourage the uninsured to enroll in health care coverage under the Patient Protection and Affordable Care Act (2010; see also Andrews, Darnell, McBride, & Gehlert, 2013; Wilson, Hirschi, Comeau, Bronheim, & Bachman, 2014).

Social workers have been at the forefront of efforts at the state level to transform 529 college savings plans into progressive asset-building opportunities for low- and moderate-income families (Clancy, Orszag, & Sherraden, 2004). In several states, social workers provide financial knowledge and guidance to foster youth transitioning from care to adulthood, helping them to open bank accounts with matched savings for education, housing, and vehicles (Peters, Sherraden, & Kuchinski, 2012; Sherraden, Peters, Wagner, Guo, & Clancy, 2013). Social workers spearhead policy discussions about the burden of student loans on low- and moderate-income and minority youth (Elliott & Nam, 2013). State asset-building coalitions led by social workers promote state, regional, and national policies that build economic security in low-wealth communities (Sherraden, Slosar, & Sherraden, 2002). In response to asset losses and growing concentrations of poverty and land ownership, these coalitions have focused on job development, smart growth, sustainable development in rural communities, and helping people accumulate assets (Otabor & Gordon Nembhard, 2012).

At the federal level, social workers were instrumental in the creation of the Assets for Independence Act (1998), which provides grants that enable agencies to help low-income families save (Sherraden, 2011). In the United Kingdom, social workers were influential in establishing the Child Trust Fund, which gave every newborn a savings account at birth (Sherraden, 2011). Led by social workers, the Refund to Savings (R2S) initiative is testing an experiment that uses features in a well-known online tax-filing platform to encourage low- and moderate-income tax filers to save part of their refunds. With a sample larger than that of any previous savings experiment in the United States, R2S measures the effectiveness of interventions informed by behavioral economics and designed to encourage people to save some of the largest check that many receive all year (Grinstein-Weiss, Comer, et al., 2014). The initiative also tests the implementation of the myRA (a type of Roth IRA account sponsored by the U.S. Treasury) at tax time to influence retirement saving decisions of low- and moderate-income households (Grinstein-Weiss, 2015).

Several current initiatives aim to enhance professional social work skills in financial capability practice, research, and education. The Financial Capability and Asset Building initiative, sponsored by the Center for Social Development at Washington University in St. Louis, is developing and testing financial capability curricula for social work professionals. Two of the initiative's central goals are to renew the profession's historical commitment to financial capability and to help vulnerable families build assets (Sherraden, Birkenmaier, Rochelle, & McClendon, 2015). The Financial Social Work Initiative at the University of Maryland, Baltimore, sponsors a Scholar Network as well as the Financial Capability and Asset Building Social Work Research Consortium. These groups bring together researchers, practitioners, and educators to collaborate in the emerging field of financial social work (Jacobson et al., 2011). Several schools of social work in New York City have developed a curriculum in economic

capability, tested it in seven city universities, and are exploring expansion into other universities in the state (Birkenmaier, Kennedy, Kunz, Sander, & Horwitz, 2013; Horwitz & Briar-Lawson, 2015). One of the New York partners, Columbia University School of Social Work, is expanding social work curricula to include competencies in programming related to career development, employment, financial literacy, and economic self-sufficiency (Columbia University, 2014).

## FINANCIAL CAPABILITY AND ASSET BUILDING FOR ALL: AN ACHIEVABLE GOAL

Recent advances in knowledge and professional skills make it possible to overcome the challenge of achieving financial capability and asset building for all. We briefly summarize these advances below. The following sections then detail how social workers can increase people's ability to act and opportunity to act in ways that enable households to improve financial security and well-being.

### Ability to Act

As behavioral economists point out, few of us are fully prepared to make the wide range of financial decisions required in a lifetime (Thaler & Sunstein, 2008). This preparation includes knowing how to manage cash, budgets, credit, debt, savings, and taxes, as well as how to protect one's finances (Financial Education and Core Competencies, 2010). Vulnerable populations bear additional burdens in confronting these tasks: Lack of financial knowledge and skills (sometimes referred to as lack of *financial literacy*) impedes understanding and heightens the potential for unsound decisions (Lusardi & Mitchell, 2011).

In large measure, people's ability to act is shaped by what they learn growing up (Schuchardt et al., 2009), but financial knowledge and ability to act also can be improved by financial education, guidance, and advice (Collins, 2014). Financial education is by far the most common strategy for improving the ability to act (Organization for Economic Cooperation and Development, 2013; U.S. Department of the Treasury, 2006; Xu & Zia, 2012). Financial education interventions are targeted to diverse groups, including parents, children and youth, employees, and the general public, as well as to vulnerable groups such as the poor, immigrants, prisoners, people with disabilities, and the homeless.

Although findings are mixed on its effectiveness, some studies show that financial education is positively correlated with financial knowledge and skills as well as with financial functioning (Bruhn, De Souza Leão, Logovini, Marchetti, & Zia, 2013; Fox, Bartholomae, & Lee, 2005; Lusardi, 2004). A review of 44 studies indicates that financial education is positively associated with indicators of financial behavior, including savings rates, participation in retirement-savings plans, and retirement wealth (Martin, 2007). Another study is less positive (Hathaway & Khatiwada, 2008), suggesting that the research provides no conclusive evidence on the impact of financial education. Gale and Levine (2010) contend that traditional approaches to financial education—employer-, school-, and community-based approaches as well as credit counseling—have not generated positive and substantial impacts on participants' financial behaviors nor

focused on the unique and often-complex needs of poor participants. Recent meta-analyses produce similarly mixed evidence. A meta-analysis of 168 research papers finds that financial education explains only 0.1% of the variance in financial behaviors, the effects are even smaller for low-income samples, and there are declines over time in the effects of financial education (Fernandes, Lynch, & Netemeyer, 2014). Another meta-analysis suggests that financial education positively affects some areas of financial functioning but not others. In this case, it increases savings and promotes financial skills but has no observed effect on loan defaults (Miller, Reichelstein, Salas, & Zia, 2013).

## Opportunity to Act

Research on financial education suggests that it may be more effective if combined with opportunities to act than if offered alone. To be financially capable, a person must also possess the opportunity to act in one's financial interest; he or she must have the opportunity to access beneficial programs, products, and services. Such access is often termed *financial inclusion*. At a minimum, financial inclusion means having access to safe ways to make and receive payments, store emergency savings, generate savings, borrow small amounts of money, and buy simple insurance products. For some populations, access entails the ability to send remittances and obtain other culturally appropriate financial services (Caskey, 2005; Financial Services Authority, 2000; Sherraden, 1991).

Access to banking services is low among vulnerable populations and has not improved since 2009, when the first national survey was administered (Burhouse, Chu, et al., 2014; Burhouse & Osaki, 2012). In the United States, 9.6 million households (7.7%), including nearly 17 million adults and 8.7 million children, were *unbanked* in 2013; and 24.8 million households (20%), including 50.9 million adults and 16.6 million children, were *underbanked* (Burhouse, Chu, et al., 2014).<sup>1</sup> The leading barriers to banking are lack of money, lack of trust in banks, bank fees, and banking history problems (Burhouse, Chu, et al., 2014).

Participation in retirement savings plans has declined since the beginning of the Great Recession (Bricker et al., 2014). Among workers making less than \$15,000 in 2012, fewer than 14% participated in a retirement plan, and the participation rate among those making \$80,000 or more was about 80% (Copeland, 2012).

Lack of access to retirement savings among low income Americans is partly due to the structure of tax benefits, which accrue disproportionately to higher income Americans (Harris, Steuerle, Mckernan, Quakenbush, & Ratcliffe, 2014). A tax benefit is an allowable tax deduction (or credit) that reduces the taxpayer burden. The United States spends nearly \$900 billion annually

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<sup>1</sup>*Unbanked* households are those that lack a deposit account with an insured depository institution. *Underbanked* households hold a bank account but also use alternative financial services (Burhouse, Chu, et al., 2014).

on the top-10 tax benefits (Congressional Budget Office, 2013). Benefits go overwhelmingly to households at the top. Half of this public support (51%) goes to the top quintile of income earners, mostly to the top decile (receiving 39%), including the top 1% (receiving 17%). This can be compared with the 8% that goes to the bottom quintile, the 10% that goes to the second quintile, and the 13% that goes to the middle quintile. It is important to point out that these figures include tax expenditures, such as the Child Tax Credit and the Earned Income Tax Credit, that support households at the bottom of the income distribution. In other words, policies that support households at the top, through such benefits as exclusions for contributions to retirement accounts and the home-mortgage tax deduction, explain why the wealthiest reap the benefits of tax expenditures. Low-income Americans do not benefit because they have little or no tax liability and therefore cannot claim tax deductions, even when they contribute to retirement plans or own homes. They do not reach the threshold for these tax deductions. In this way, tax policies subsidize people at the top end of the income ladder but not those at its bottom end (Sherraden, 1991; Howard, 1997).

Institutional reforms that bring vulnerable populations into the financial system also increase financial inclusion, expand financial capability, and extend asset-building opportunities to the whole population. Financial inclusion in the banking system will require innovations in design, policy, and regulations in order to meet the financial necessities of financially vulnerable populations (Cull, Demirgüç-Kunt, & Morduch, 2013). Streamlined enrollment, peer-to-peer guidance on program participation, and prize-linked savings have met with success in bringing low-income populations into financial services (Beshears, Choi, Laibson, & Madrian, 2009; Loke, Choi, & Libby, 2015; Tufano & Schneider, 2011). In addition, rapid growth in the adoption of mobile banking, especially in developing countries, has expanded access to financial services among the poor, those living in isolated areas, and those without permanent addresses (e.g., migrant workers and the homeless). In developed economies, mobile banking has especially expanded among the young (Burhouse, Homer, Osaki, & Bachman, 2014; Board of Governors of the Federal Reserve System, 2012).

Behavioral economics and the institutional theory of saving have informed recent advances in asset building (Thaler & Sunstein, 2008; Sherraden, Schreiner, & Beverly, 2003). With automatic enrollment and options to opt out, defined contribution plans, such as 401(k)s vastly increase plan participation (Beshears et al., 2009; see also, Choi, Laibson, Madrian, & Metrick, 2002, 2004; Thaler & Benartzi, 2004). Savings programs can successfully reach the poor if the initiatives use automatic enrollment, seed deposits, and savings matches (Nam et al. 2013; Schreiner & Sherraden, 2007). Important evidence comes from SEED for Oklahoma Kids (SEED OK), a large test of Child Development Accounts (CDAs). Research from the experiment finds that nearly universal program enrollment can be achieved if accounts are automatically opened with a seed deposit (Nam et al., 2013). Promising evidence also suggests that it is possible to increase savings in low- and moderate-income households at tax time with a simple addition to a commercial tax product (Tucker, Key, & Grinstein-Weiss, 2014).

## Interaction of Ability and Opportunity

Our concept of financial capability suggests that the interaction of ability and opportunity generates sound financial action and that such action leads to financial well-being (Johnson & Sherraden, 2007; Sherraden, 2013). Evidence on the combined impact of ability and opportunity comes from several studies. Early demonstrations of Individual Development Accounts, which are designed to help low-income families accumulate assets for a home, college education, small business, and retirement, found that offering financial education and an account are associated with increased savings in low-income households (Schreiner & Sherraden, 2007) and levels of financial confidence (Sherraden & McBride, 2010). Additional evidence comes from a randomized study in which young children received financial education and access to a savings account at school (Wiedrich, Collins, Rosen, & Rademacher, 2014). The study finds increases in the financial knowledge scores of students who received 5 hours of financial education. It also finds improvements in attitudes toward saving, with particular improvements among students given access to a savings account (Wiedrich et al., 2014). Other research points to the promise of CDAs, which are savings or investment accounts for long-term development purposes. Research results indicate that access to CDAs motivates individuals to apply their financial knowledge and skills. Among primary caregivers (mostly mothers) exposed to the CDAs, financial knowledge is positively correlated with the decision to save for a child's postsecondary education. The correlation is not found among counterparts assigned to the control group (Huang et al., 2013; Huang, Nam, Sherraden, & Clancy, 2015). Moreover, findings suggest that financial inclusion—the opportunity to act—influences the relationship between one's financial knowledge and one's financial functioning. A parent may understand the workings of CDAs, but whether that understanding motivates the individual to open a CDA depends in large measure upon whether the parent has access to a CDA.

In sum, research and policy developments over the past 2 decades demonstrate that financial capability and asset building are desirable and achievable goals. Social work researchers and practitioners have been in the vanguard of these efforts, especially in bringing attention to initiatives that improve financial well-being in financially vulnerable populations. Nonetheless, these efforts have been fragmented and piecemeal, reaching only some families and communities. What is required now is a viable path and plan for reaching all Americans in the next 10 years.

## VISION AND MEASURABLE GOALS FOR THE NEXT DECADE

What would financial capability look like in the life of average clients served by social workers? The vision of this grand challenge is clear. To be financially capable, individuals must have the following:

- Access to basic financial services and asset-building programs (e.g., banking services, retirement savings plans, college savings plans);

- Access to targeted resources and progressive programs that counteract environmental and/or unjust barriers, particularly those faced by disadvantaged or vulnerable populations;
- Voice in design of suitable financial products and services, and a way to influence decisions of consumer protection organizations and financial regulators; and
- Knowledge and skills, along with advice and guidance, to manage finances and plan for a financially stable future.

The first three points address financial inclusion, or opportunity to act; the last one is about financial knowledge, or ability to act. Individuals who possess opportunity and ability to act have the tools to make financial decisions and take action in their best financial interest. In this manner, they take steps toward achieving financial well-being.

With expansion of web- and mobile-based financial education, products, and services (Burhouse, Homer, et al., 2014), the vision of universal access to financial capability tools and asset-building opportunities is closer than ever. However, truly universal access will require an intensive focus on reaching out to and including financially vulnerable populations. Without such changes, inequalities in financial capability and asset holdings are very likely to continue.

We propose a two-step process for expanding financial capability and asset building for all Americans. First, everyone should receive an asset account at birth, and second, everyone should have access to a Financial Capability Gateway whereby he or she can manage financial accounts and receive information and guidance aimed at improving financial capability.

### **ASSET BUILDING STARTING WITH CHILDREN: TOWARD LIFELONG ACCOUNTS**

Because of the key role that assets can play in creating opportunities for children and in buttressing household security, we propose a broad effort to promote lifelong asset accumulation. We would begin by providing a CDA for every child at birth. By design, CDA policies call for automatic enrollment, restrictions that prevent beneficiaries from accessing funds before a certain age, and provisions that prevent use of funds for purposes other than education, homeownership, small-business investment, and certain developmental priorities (Beverly, Elliott, & Sherraden, 2013). These features are protective, even paternalistic, but research suggests that they work. The research also indicates that parents of children with CDAs support these features (Gray, Clancy, Sherraden, Wagner, & Miller-Cribbs, 2012; Nam et al., 2013).

Grounded in the hypothesis that asset holding positively affects child development and child well-being (Sherraden, 1991), research on CDAs suggests that holding a dedicated account and accumulated assets for a child builds economic resources for education and other developmental investments while directly affecting his or her development. Results from research confirm that CDAs can be implemented and accumulate meaningful assets for all children, even for children in low- and moderate-income families, if the accounts are opened automatically with an initial

deposit and include a savings match feature (Beverly, Clancy, & Sherraden, 2014; Beverly, Kim, Sherraden, Nam, & Clancy, 2012; Nam et al., 2013). In particular, CDAs reduce disparities in asset accumulation across socioeconomic status (Huang, Kim, Sherraden, & Clancy, 2014).

Accounts and assets may exert indirect influence, shaping child development through their effects on parental behavior, expectations, mental health, and involvement (Orr, 2003; Yeung & Conley, 2008; Zhan & Sherraden, 2003). The asset-holding process initiated through a CDA may provide opportunities to prepare for critical milestones in long-term development. For instance, the presence of assets for children's college education may cause parents to foster educational expectations in children and may promote children's cognitive and social-emotional development. Evidence from CDAs shows that they have positive effects on attitudes and behaviors of parents and children, including a positive association with child socioemotional development. The effects are especially noteworthy among the most disadvantaged children (Huang, Sherraden, Kim, & Clancy, 2014). Moreover, depressive symptoms are less frequent and educational expectations for children are higher among mothers in the treatment group than among controls (Huang, Sherraden, & Purnell, 2014; Kim, Sherraden, Huang, & Clancy, 2015). The accounts also affect people's outlooks: Mothers assigned to the treatment group reported that they felt "excited" and "blessed" to have a CDA because it conveys that someone outside the family expects their children to go to college and makes them feel optimistic about that possibility (Gray et al., 2012, p. 62). Further, evidence from observational research supports these findings, showing that assets are positively associated with children's educational outcomes, emotional and behavioral competencies, and educational expectations (Williams Shanks, Kim, Loke, & Destin, 2010).

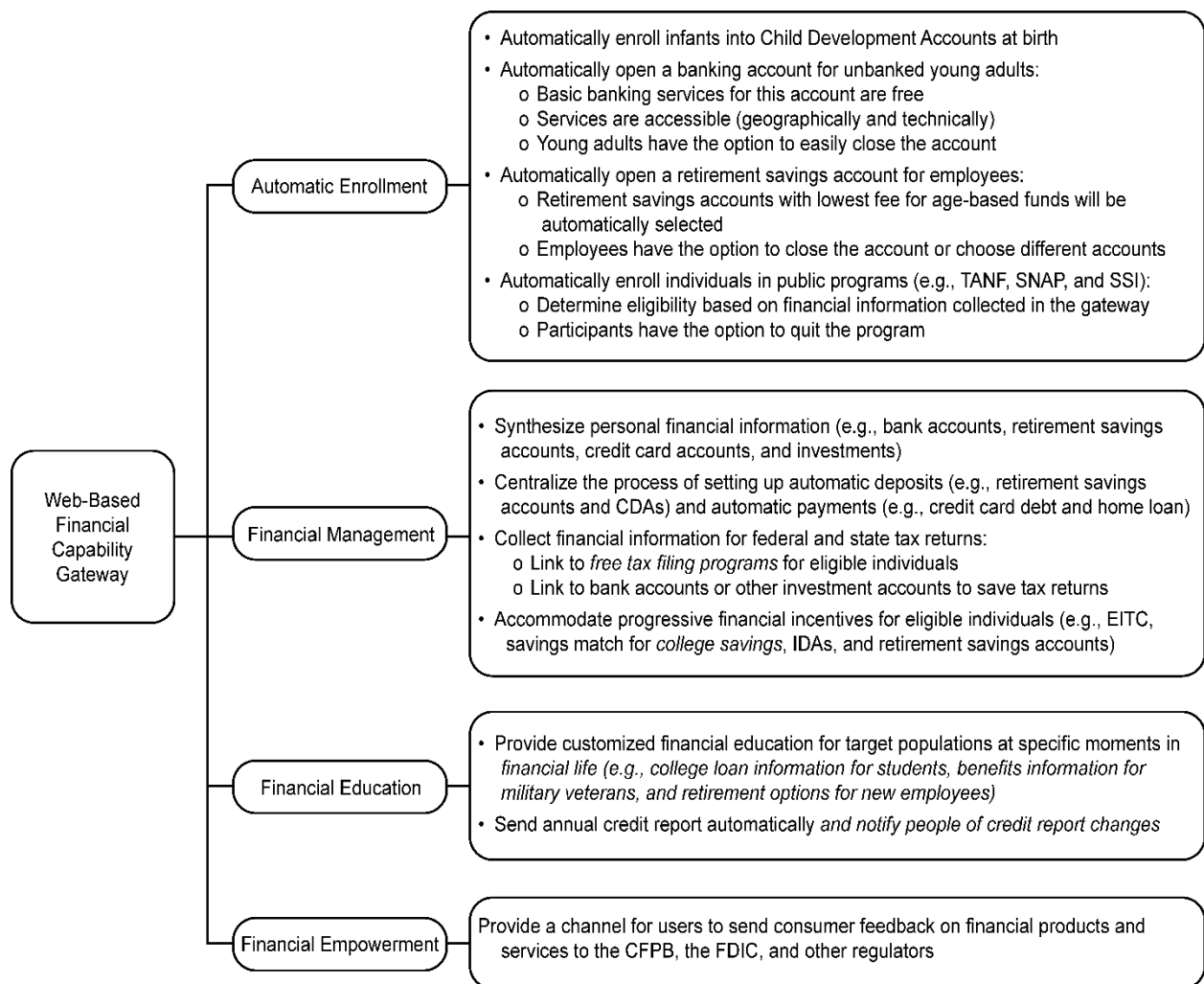
Efforts are underway in some states to provide a CDA for each child. In Maine, the Harold Alfond College Challenge deposits \$500 in the state's 529 college savings plan for the future college expenses of every resident newborn. Maine recently changed its program design from voluntary enrollment to automatic enrollment and now is the nation's first statewide, universal CDA policy (Clancy & Sherraden, 2014). To date, the policy has served more than 40,000 children (Poore & Quint, 2014). State officials in Nevada and Connecticut also have implemented CDA policies. In Nevada, a 2013 pilot of the College Kick Start program opened 529 college savings accounts for about 3,400 rural kindergarten students and seeded each account with \$50. Nevada expanded statewide in 2014, and the program now includes nearly 70,000 public-school kindergarten students (Nevada College Kickstart, n.d.). In 2014, Connecticut enacted legislation offering an initial deposit and savings match incentives in college savings accounts for children born or adopted in the state (An Act Implementing Provisions of the State Budget, 2014; Malloy, 2014). The accounts have been included in several federal legislative proposals and have recently received renewed attention in the U.S. Senate (ASPIRE Act, 2010; King, 2014).

This leads to the second part of social work's grand challenge. Research on CDA programs identifies program features that are key in implementing inclusive, effective, and sustainable CDAs. These include automatic enrollment, automatic deposit, investment options, low administrative costs, and progressive incentives. A Financial Capability Gateway could adopt

these and other program features that facilitate universal participation in CDAs for newborns and that could lead to other financial services across the life span.

### REACHING EVERYONE: A FINANCIAL CAPABILITY GATEWAY

To broaden social work's engagement with financial capability and to provide tools needed by the profession, this working paper has proposed a Financial Capability Gateway with features designed to build lifelong financial capability for all. The Gateway would be a web-based platform created by a coalition of federal agencies (including the Consumer Financial Protection Bureau, the Internal Revenue Service, and the Treasury Department) and would have four major functions (see Figure 1).



*Figure 1.* Main functions of the proposed Financial Capability Gateway. TANF = Temporary Assistance for Needy Families; SNAP = Supplemental Nutrition Assistance Program; SSI = Supplemental Security Income; CDA = Child Development Account; EITC = Earned Income Tax Credit; IDA = Individual Development Account; CFPB = Consumer Financial Protection Bureau; FDIC = Federal Deposit Insurance Corporation.

First, it would enable individuals to *enroll automatically* in key financial services and asset-building programs. The Gateway would open accounts for users when they are children and help them add other types of accounts later. Accounts would be linked to the beneficiary's Social Security number. A child's CDA would be the principal entry point to the Gateway. It would serve as a foundation for future financial accounts and financial capability development. When the beneficiary reached adulthood and began working, the Gateway could facilitate entry into other financial products such as retirement- and health-savings plans. Access to some products would be contingent on employment-based benefits (e.g., multiple retirement-savings accounts); the system could automatically select the plan with the lowest cost and allow individuals to change the default selections.

Although the Gateway would serve as a hub for automatic enrollment into multiple programs, it would not provide banking or accounting services. The financial market would be the principal provider and operator of financial products. The Gateway's role would be to streamline enrollment and facilitate all people's access to beneficial financial services and asset-building programs on the market.

Second, the Gateway would facilitate *financial management* by synthesizing the beneficiaries' financial information and making it possible for them to manage multiple services in one place. From this starting point, individuals could understand their financial status, view their options, and make sound financial decisions. Another advantage of bringing account information together is that doing so might facilitate transition and rollover between accounts. The Gateway would include specific financial management features, such as a place for setting up automatic deposits and automatic payments, and would have the capability to accommodate distribution of progressive financial incentives (such as Earned Income Tax Credits and Individual Development Account savings matches) for eligible individuals. In addition, the Gateway would enable users to file their federal and state tax returns electronically, and to direct the distribution of refunds. Progressive financial incentives could be more effective in the Gateway than in standalone policies tested to date, because the Gateway would provide access for everyone who is eligible and would have accurate financial information. The Gateway would collect financial information for federal and state tax returns and encourage the use of tax refunds to build assets. For example, low-income families could save tax refunds in a checking or retirement-savings account; they could allocate part of their refund to purchase a U.S. savings bond or another savings product.

Third, the Gateway would offer *financial education and guidance*. The Gateway's education and guidance components could provide access to simple, straightforward information and advice, as well as links to MyMoney.gov, the Consumer Financial Protection Bureau's site, and other, appropriate web content. It also could provide customized financial education and guidance for target populations or for people at a specific moment in their financial life. For example, the Gateway could detail how immigrants might open a bank account, or it could present information on college tuition and costs to individuals who are getting ready for college. It could send annual credit reports automatically, notify people of credit report changes, and provide guidance in cases of identity theft. It also could provide access to guidance professionals, such as

social workers, who could assist people with financial decisions through case management, coaching, and counseling.

Fourth, the Gateway would increase *financial empowerment* by facilitating constructive interaction with financial institutions. It would provide a channel for users to send consumer feedback on financial products and services to the Consumer Financial Protection Bureau, the Federal Deposit Insurance Corporation, and other regulators. It would also collect consumer input on federal regulations and prompt users to share experiences (e.g., being the victim of a financial scam). Facilitating such communication to and from users is one of several ways in which the Gateway would advance the goal of financial inclusion.

In sum, the Gateway would create a clearinghouse for financial products and services, establishing a structure that social workers could use in collaborating with clients to assess and respond to complex financial issues. The Gateway is a feasible policy strategy to advance a solution for the grand challenge of financial capability.

### **FINANCIAL CAPABILITY AND ASSET BUILDING IN SOCIAL WORK PRACTICE, EDUCATION, AND RESEARCH**

In a context of rising financialization and economic inequality exacerbated by a major financial crisis and slow financial recovery, the task of building financial capability and assets has become a fundamental social work challenge. Innovations, such as universal children's accounts and a Financial Capability Gateway, can be powerful tools that enable social workers to improve the financial security of all.

The proposed Gateway could provide aggregated data to inform programs and policies and assist in direct work with clients. In universal CDAs, social workers will find a tool enabling everyone, even the most financially vulnerable, to build assets from birth and to secure a place in the financial world. For example, child welfare providers could use the Gateway and CDAs to create long-term plans for the financial security and education of their youth clients. A CDA is a tangible instrument that serves as a resource for the child's development; indeed, it embodies future opportunity. Social workers can plan with families about their children's future education, since having a CDA means that it is not a matter of whether there are resources for future education but of how to use those resources. Social workers assisting children with disabilities could include consideration of CDAs and use of Gateway tools in children's Individualized Education Plans, which are required for every child in special education. Social workers also could use the Gateway to financially empower special populations such as older adults, immigrants, survivors of intimate partner violence, prisoners, and military veterans. Many service populations struggle with overwhelming debt, and medical debt has surpassed credit card debt as the primary cause of personal bankruptcy (Hiltonsmith, 2013; LaMontagne, 2014). Social workers could empower working families and other clients to manage debt without losing sight of long-term aspirations.

The grand challenge to build financial capability and assets also presents new opportunities for social work education and research. Future social workers must be equipped with skills to help clients understand, explore, and access financial services and asset-building opportunities. In recent years, social work education has begun to respond this need (Birkenmaier, Kennedy, et al., 2013; Frey et al., 2015; Horwitz & Briar-Lawson, 2015; Rochelle, McClendon, Brackett, Wright, & Sherraden, 2014; Sherraden, Birkenmaier, Rochelle, et al., 2015; Sherraden, Laux, & Kaufman, 2007). However, several issues require additional research. Among these are issues related to measurement, impact on social work practice, and policy design.

Within a decade's time, social work can make great progress in building the financial capability and assets of average American families. To address this challenge, the social work profession can take several actions: (a) integrate existing resources related to financial capability, including programs, training, education, knowledge, and social work practice; (b) identify and test key financial capability and asset-building initiatives; (c) prepare social workers for financial capability practice through strong curricular offerings within social work; and (d) strengthen research on measures and impacts of financial capability and asset building (Sherraden, 2014; Sherraden & Ansong, in press; Williams Shanks, 2014).

Social workers have the knowledge, skills, and motivation to make great strides in this endeavor. Historical precedent points the way to the profession's reengagement in financial work. No other profession dedicates itself to creating economic stability and security for those on the lower rungs of the economic ladder and for those who experience sudden or dire changes in circumstances. Social work has an opportunity to reclaim its role in shaping social institutions that promote financial capability and asset building for all.

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Working Paper

