California Connected by 25

Efforts to Address Financial Competency and Asset Development Among Transitioning Foster Youth

EXECUTIVE SUMMARY

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The California Connected by 25 Initiative is a collaborative effort of five foundations to improve the life prospects of youth transitioning out of foster care in California. Counties participating in CC25I aim to improve policies, programs and outcomes for transition-age foster youth in seven focus areas: K-12 Education; Employment/Job Training/Post-Secondary Education; Financial Competency and Asset Development; Housing; Independent Living Skills Programs; Personal/Social Asset Development; and Permanency. Four counties – Fresno, San Francisco, Santa Clara and Stanislaus Counties – are early implementers of the Initiative.

This report documents the Initiative's progress made by the early implementing counties in the areas of Financial Competency and Asset Development. These efforts are intended to support current and former foster youth in the development of financial management skills, through youth-targeted financial literacy classes, and savings behavior through Individual Development Accounts (IDAs). These efforts towards financial literacy and stability interact with other CC25I objectives in the areas of employment and transitional housing. Youth who are actively engaged in the workforce will be able to save more while participating in asset building programs, while financial literacy will help youth to secure and maintain transitional housing after leaving foster care.

Financial Literacy and Asset Accumulation among Transitioning and Former Foster Youth

Foster youth leaving care face considerable challenges in managing finances. Rarely can they count on a family financial safety net or helpful guidance in making sound financial decisions. Among youth responding to the Midwest Survey of transitioning and former foster youth in Illinois, Iowa, and Wisconsin, over half of the responding former foster youth reported, at age 19, having experienced at least one economic hardship such as having insufficient funds to pay for rent, utilities or food since leaving care. Although not a complete solution, improved financial literacy and support for savings can help former foster youth reduce their experience with such economic hardship during the transitional period. Research has shown that the accumulation of assets among youth can also contribute to other positive outcomes such as increased long-term planning, more positive expectations for the future, reduced engagement in high-risk behavior, and improved social connectedness.

It has proven difficult to provide good financial literacy training for foster youth. Many local Independent Living Skills Programs (ILSPs) offer financial literacy workshops, but because these efforts are generally not linked to asset development opportunities such as IDAs, the training may appear to be of low value to participants, who – especially at the time they are taking the course – may have no income or other funds to save.

Programs to Support Financial Literacy & Asset Development

Through partnerships that child welfare agencies cultivate with financial literacy training programs, local financial institutions and community businesses, CC25I counties are pursuing various strategies to develop financial competency among youth and to help them initiate and add to savings accounts. In pursuing these strategies, CC25I counties are drawing on lessons learned from earlier initiatives such as the American Dream Demonstration of 1997 and the Assets for Independence Act of 1998. Efforts in this area are also building on the best practices of model IDA programs that specifically serve low-income and foster care youth such as: Youth$ave, created by REACH Community Development in 1998 to help children ages 9-18 living in affordable housing units to develop money-saving habits;[1] Earn$ave, developed in 2002 by a non-profit in Madison, Wisconsin for low-income participants in a youth business mentoring program;[2] Juma Ventures, offering IDAs for low-income youth in the San Francisco Bay area, San Diego and Los Angeles;[3] Financial Firsts, a program created by ByDesign™ Financial Solutions to empower youth ages 15 to 22 to maximize the benefits of their first independent financial and employment decisions;[4] and Opportunity Passport developed by The Jim Casey Youth Opportunities Initiative, which has provided over 1,459 foster youth the resources they need to successfully gain financial literacy, develop assets and establish a foundation for economic success in adulthood.[5] In addition to financial literacy training and matched savings accounts, the Opportunity Passport Initiative also

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[1] Gray, A. (2007). *Connected by 25: Financing Asset-building and Financial Education Programs for Youth Transitioning out of Foster Care.* The Finance Project. Available at: www.financeproject.org/publications/FinLitAssetBuild_SB.pdf.

[2] Ibid.

[3] Taken from a handout entitled "*Individual Development Accounts*" provided by Juma Ventures in June 2006 at the Opportunity Passport TA Convening sponsored by CC25I.

[4] Source: http://www.bydesignsolutions.org/press_room_documents/1000all.pdf.

[5] For more information on the Opportunity Passport program, please see: http://www.jimcaseyyouth.org/opportunitypassport.htm.

encourages the use of community and youth advisory boards to guide program development, as well as the creation of "door openers" that provide youth with local business contacts to support them in the most effective use of their accumulated savings.

County Progress in Reaching CC25I Financial Literacy and Asset Accumulation Objectives

The specific financial literacy and asset accumulation goals for youth under CC25I are: improve the financial competency of youth emancipating from foster care; increase saving and asset building behaviors among current and former foster youth; and provide opportunities and experiences that lead toward economic success. CC25I counties have identified the following activities to support these goals:

- Provide financial literacy and/or entrepreneurial training, integrated into existing Independent Living Skills Program curriculum, if appropriate;
- Implement matched savings account programs (IDAs), permitting withdrawals only for a restricted list of purposes that reflect long-term educational and self-sufficiency goals;
- Create youth leadership boards to ensure that IDAs and other programs are designed with youth in mind; and
- Through community partnership boards, develop "door opener" support contacts and relationships that help youth access community resources and spend their accumulated assets wisely.

Counties are still developing strategies for ongoing assessment of the tracking indicators associated with these goals: the percentage of foster youth with a checking account; the percentage of former foster youth with a savings account; and the average deposits, savings, and assets purchased among youth who are IDA holders.

CC25I counties have made substantial strides toward the intermediate goals of the Initiative. CC25I funding has made it possible for all four early implementing counties to develop local IDA programs that meet the needs of their current and former foster care youth. Financial literacy training is mandatory for IDA participants in all four counties. Counties have engaged in collaborative efforts with local youth, adult stakeholders, community businesses and service providers to develop partnership boards and create locally appropriate services. All four counties have Youth Advisory or Youth Leadership Boards to help guide services for current and former foster youth. Table 1 summarizes how the IDA programs vary by county.

Table 1: Financial Competency and Asset Development Accomplishments, by County, 2006-2009

County	IDA Program Start Date	Provider of Financial Literacy Training	Banking Partner	Provider of IDA Account Management and Youth Case Management	Source of IDA Match Funds?	Total Matched Funds Offered	Goal: Number of Youth with IDA	Actual: Number of Youth with IDA to Date
Fresno	Feb-08	ClearPoint Credit Counseling Solutions	Wells Fargo	ClearPoint Credit Counseling Solutions	Child Welfare/ILSP	$3,000 (over 3 years)	20	23
San Francisco	Mar-07	ILSP curriculum	Citibank	SF Earn & ILSP staff	Child Welfare/ILSP	$2,000 (over 2 years)	40	38
Santa Clara	Feb-07	Financial Planners Assoc. & Evergreen Comm. College	Citibank	Lenders for Community Development & ILSP staff	Child Welfare	$3,000 (over 3 years)	70	82
Stanislaus	Dec-07	Bank of the West, By Design & ILSP/Aftercare staff	Bank of the West	Center for Human Services & ILSP/Aftercare staff	United Way & Child Welfare	$2,000 (over 2 years)	20	17

Observations & Lessons Learned

Implementation of IDA Programs Can Require Significant Start-up Time – Although CC25I counties already offered financial literacy training of some kind, they typically needed more than a year (and in some cases, more than two years) to establish the administrative infrastructure, identify the local resources, and form the community partnerships necessary to operate an IDA program. Earlier implementation of youth and community boards and workgroups was associated with quicker development of an IDA program.

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Close Integration of IDA Program and ILSP Has Advantages – IDA participants often seek to use their savings to pay for healthcare, education-related expenses and other things that could be covered through other sources of funding. When IDA account and case management is integrated with the efforts of the local ILSP and child welfare staff, youth are more likely to utilize existing resources to meet urgent current expenditures, thus preventing unnecessary withdrawals from their savings.

Working with Contracted Service Providers Poses Solutions and Challenges – Most county child welfare agencies are not equipped to manage an IDA program, due to workload or other restrictions that make it difficult or impossible to manage accounts and cut asset purchase checks. Using a contracted service provider can resolve these issues but can also make account and case management more complicated, increasing the amount of time needed to access a youth's savings. The release of county funding for matching dollars can be also be more complicated when a contracted service provider is used.

IDA Youth Should be Linked to Employment and Housing Programs – Counties have found it challenging to get youth to make consistent, monthly contributions (a key to developing habitual savings behavior) to their IDA, especially if youth are not working. Some counties have noticed better IDA performance among youth who are also participating in transitional housing programs (such as THP-Plus) or working closely with employment service programs. Case managers can also work with youth to create budgets that have them saving a portion of their post-secondary education financial aid or other sources of income to which they have access.

Youth Require Support Services to Succeed in Financial Competency Programs – To ensure that youth are successful in both financial literacy and asset development programs, services must be designed to accommodate their particular needs. Holding financial literacy trainings on weekends or during the evening and offering participation incentives (financial, food, fun activities) can increase attendance. The training content must appeal to youth of varied age and financial competency. Counties have involved foster youth alumni as training facilitators, provided youth with transportation to required meetings and offered ongoing case management to encourage youth to save and think carefully in advance about asset purchases.

IDA Programs Must Be Designed to Promote Thoughtful Purchase of Assets – Nearly all CC25I counties have noted at least some instances in which youth withdrew savings without receiving adequate counseling and other case management services, and often in conflict with program rules. Counties have learned that banking staff often need training on how IDAs differ from other savings accounts and, especially, on how to apply the program rules governing the withdrawal of funds. Some counties also utilize "hard to access" accounts and where possible, require counseling before a withdrawal can take place.

Strategies to Serve Younger Youth Can Evolve Over Time – The requirement by many banks that accounts need a co-signer age 18 or older poses a considerable challenge for establishing IDAs for youth ages 16 to 17. Accordingly, CC25I counties were encouraged to start their IDA programs by serving youth 18 and older, then later expand successful and experienced programs to youth under 18. Utilizing "custodial accounts" is also one approach that is easy to administer, ensures that youth are counseled prior to withdrawing funds, and can be used for youth under 18 without requiring a caregiver or county representative to co-sign on the account.

Counties See the Sustaining of IDA Programs as a Major, Ongoing Challenge – Most counties are concerned about how they will be able to sustain their IDA programs once CC25I grant dollars cease. While ILSPs may be able to fund continuing financial literacy training, more community support will be required to provide the matching dollars for youth savings. Counties are using their community partnership boards to develop strategies and identify potential funding partners, seeking to demonstrate to local businesses and foundations the value of providing foster youth these opportunities. Some counties will also look into partnering with other existing asset building initiatives such as those funded by the United Way or the Bank on California Initiative, a new program in five cities (including Fresno, San Francisco, and San Jose) to help low and middle income individuals and families to open first banking accounts.