

Asset Building

Session Overview

This session is organized around four key concepts that provide the context for asset building and IDAs:

- 1. Assets lead to wealth and economic security. Income alone does not.**
“People cannot spend their way out of poverty.”
- 2. The disparity in the distribution of assets is even greater than the disparity of income. The poverty statistics alone, therefore, under-represent the number of individuals and households that lack economic security.**
- 3. There are tremendous economic, social, and psychological benefits to asset ownership. These benefits accrue not only to the individual asset owner, but also to the household, neighborhood, and community in which the asset owner resides.**
- 4. There is historical precedent for government-supported asset ownership; these incentives, however, often do not reach people with low income (40% of the population).**

The first activity consists of a facilitated discussion about income, assets, liabilities, and equity or net worth and the relationships among these concepts. This activity is followed by a human bar chart activity, which dramatically illustrates the distribution of income, net worth, and financial net worth in the U.S. by quintile. A small group activity examining the economic, psychological, and social benefits of asset acquisition and ownership follows the human bar chart activity. The group then discusses the historical precedence for government-supported asset ownership.

Following an exploration of the four key concepts of asset building, the group briefly defines IDAs, the problems IDAs do address and the issues facing individuals, household, and communities that IDAs do not address to ensure participants can effectively explain the promise of IDAs, but recognize the limitations of this economic development tool.

Finally, the participants have an opportunity to use the information from this session to “make the case” for IDAs to a funder from whom they hope to raise the nonfederal contribution for the AFI IDA Project.

Purpose

To provide training participants with knowledge about assets, asset distribution, the effects of holding assets and the historical precedents for government-supported asset building, and the ways in which these concepts led to the creation of IDAs. This information will provide training participants with the context for IDAs and other asset-building strategies, as well as information for making the case for IDAs with other funders, partners, and stakeholders.

Objectives

By the end of the session, training participants will be able to:

1. Define “asset” and differentiate among different types of assets.
2. Explain relationships between income and assets and among assets, liabilities and equity.
3. Describe the distribution of income, assets, and wealth in the U.S.
4. List and explain the psychological, economic, and social benefits an individual, a family, and, ultimately, a community experience as a result of acquiring and holding assets.
5. Explain historical precedents for supporting asset building for individuals and families in the U.S.
6. Describe the “problems” that IDAs address directly and those that IDAs do not address.
7. Use this information to make the case for IDAs or other asset-building strategies.

Preparations for this Session

- ✓ See activity #2 below. On 10 pieces of paper or 8.5 X 11 card stock, write the numbers 1 – 10 respectively. Hang them consecutively on a wall with about 2 feet between each number.
- ✓ Review research related to the benefits of asset ownership. See <http://gwbweb.wustl.edu/csd/>.

Time Estimate	Activity and Facilitation Notes	Reference Materials
15 minutes	<p>Activity #1: Income, Assets and Wealth (facilitated discussion)</p> <p>Review Session Purpose and Objectives</p> <p>Introduction Provide rationale for starting the session with an overview of the term “asset.” Instructions ASK: What is an asset? Write responses on flip chart ✓ <i>Something you OWN that has VALUE</i></p> <p>Note: Participants may assert that assets are things that increase in value over time. Be sure to explain the reasons that this is not necessarily the case.</p>	<p>PPT 2– 4</p> <p>Participant Workbook pages 3– 4</p> <p>PPT 5- Questions</p> <p>Flip chart to record responses</p>

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	<p>ASK: What are examples of assets? <i>Write responses on flip chart</i> <i>Put them in 3 columns as you write without disclosing the categories.</i></p> <table border="1" data-bbox="407 352 1284 688"> <thead> <tr> <th data-bbox="407 352 699 384">Physical</th> <th data-bbox="699 352 992 384">Financial</th> <th data-bbox="992 352 1284 384">Human</th> </tr> </thead> <tbody> <tr> <td data-bbox="407 384 699 415">✓ House</td> <td data-bbox="699 384 992 415">✓ Cash</td> <td data-bbox="992 384 1284 415">✓ Education</td> </tr> <tr> <td data-bbox="407 415 699 447">✓ Car</td> <td data-bbox="699 415 992 447">✓ Savings</td> <td data-bbox="992 415 1284 447">✓ Training</td> </tr> <tr> <td data-bbox="407 447 699 478">✓ Equipment</td> <td data-bbox="699 447 992 478">✓ Checking</td> <td data-bbox="992 447 1284 478">✓ Leadership</td> </tr> <tr> <td data-bbox="407 478 699 510">✓ Inventory</td> <td data-bbox="699 478 992 510">✓ IDA</td> <td data-bbox="992 478 1284 510">Skills</td> </tr> <tr> <td data-bbox="407 510 699 541">✓ Jewelry</td> <td data-bbox="699 510 992 541">✓ Mutual Funds</td> <td data-bbox="992 510 1284 541">✓ Etc.</td> </tr> <tr> <td data-bbox="407 541 699 573">✓ Land</td> <td data-bbox="699 541 992 573">✓ Cash Value of</td> <td></td> </tr> <tr> <td data-bbox="407 573 699 604">✓ Etc.</td> <td data-bbox="699 573 992 604">Life Insurance</td> <td></td> </tr> <tr> <td></td> <td data-bbox="699 604 992 636">✓ Business</td> <td></td> </tr> <tr> <td></td> <td data-bbox="699 636 992 667">(value)</td> <td></td> </tr> <tr> <td></td> <td data-bbox="699 667 992 688">✓ Etc.</td> <td></td> </tr> </tbody> </table> <ul style="list-style-type: none"> • Ask participants if they can guess the reasoning behind the 3 grouping of assets into three columns. • Explain how IDAs allow for the acquisition of physical, financial, and human assets. • Discuss the importance of the “human asset” category—assets in this category often lead to acquisition of physical and financial assets. <p>ASK: How are assets related to income? ✓ <i>Income is necessary to acquire and maintain assets. Assets, however, enable an individual to earn additional income, provide economic security, enable the individual to leverage resources, and lead to wealth.</i></p> <ul style="list-style-type: none"> • Explain the relationships among assets, liabilities and equity. • Use numerical values to illustrate. • Explain that wealth lies in the equity ultimately. Use a house as example to illustrate this concept. • Show how appreciation in the value of an asset affects equity. Show how depreciation of an asset affects equity. • Contrast depreciation of an asset and productivity of an asset. <p>Summary and/or Transition</p> <ul style="list-style-type: none"> ▪ Show PPT with first of the four key concepts on PPT: Assets lead to wealth and economic security. Income alone does not. ▪ Now that we understand what assets are and how they lead to wealth and economic security, we are going to look at the distribution of assets in the U.S. ▪ One of the key reasons IDA came into existence was to address the inequitable distribution of assets 	Physical	Financial	Human	✓ House	✓ Cash	✓ Education	✓ Car	✓ Savings	✓ Training	✓ Equipment	✓ Checking	✓ Leadership	✓ Inventory	✓ IDA	Skills	✓ Jewelry	✓ Mutual Funds	✓ Etc.	✓ Land	✓ Cash Value of		✓ Etc.	Life Insurance			✓ Business			(value)			✓ Etc.		<p>FLIP CHART to write responses</p> <p>FLIP CHART to write responses</p> <p>PPT 6</p>
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20 minutes	<p>Activity #2: Distribution of Assets (human bar chart and facilitated discussion)</p> <p>Introduction Instruct participants to close their workbooks.</p> <p>Instructions</p> <ul style="list-style-type: none"> • Either: 	<p>Numbers taped</p>																																	

Time Estimate	Activity and Facilitation Notes	Reference Materials
	<p>a. Have ten people count off 1 – 10 OR b. Have the entire group count off 1–10 until everyone is assigned a number.</p> <ul style="list-style-type: none"> • Ask participants to go stand under their assigned numbers taped to the wall (see preparation for the session above). • Explain that the spaces under each number represent 10% of the available income in the U.S. (and the 10 spaces together represent all of the income available in the U.S.) • Explain that each person OR group of people under each number represents 10% of the population. • Go through the scenarios below. <p>Scenario 1: Ask participants 3 – 10 to redistribute themselves into spaces 7 – 10. Instruct numbers 1 and 2 to spread out in the remaining space.</p> <p>ASK: Can anyone interpret what this represents? <i>After people contribute, show PPT slide.</i></p> <p>Note: Remember that the lower 4 quintiles (participants with the numbers 3 – 10) represent households making \$83,500 per annum or less.</p> <p>ASK: Why do you think the income is so unevenly distributed in this country?</p> <p>ASK: How do you think things looked 20 or 30 years ago? Why have they changed?</p> <p>Summary and/or Transition</p> <ul style="list-style-type: none"> ▪ “We discussed the concept of income leading to assets and assets leading to more income.” ▪ “Given the relationship of income to assets, what do you think happens when we look at the distribution of assets?” <p>Scenario 2: Ask participants 3 – 10 to redistribute themselves into spaces 9 – 10. Instruct numbers 1 and 2 to spread out in the remaining space.</p> <p>ASK: Can anyone interpret what this represents? <i>After people contribute, show PPT slide.</i></p> <p>Note: Remember that the lower 4 quintiles (participants with the numbers 3 – 10) represent households making \$83,500 per annum or less.</p> <p>ASK: Why do you think the net worth is so unevenly distributed in this country?</p> <p>ASK: How do you think things looked 20 or 30 years ago? Why have they changed?</p> <p>Note: The spaces under each number represent 10% of the available net worth or equity in the U.S.; and the 10 spaces together represent all of the net worth or equity available in the U.S.</p>	<p>to wall as per instructions above.</p> <p>PPT 7</p> <p>PPT 8</p>

Time Estimate	Activity and Facilitation Notes	Reference Materials
	<p>Summary and/or Transition</p> <ul style="list-style-type: none"> ▪ “Financial net worth, many believe, shows a truer picture of a household’s ability to handle economic crisis.” ▪ Financial net worth is Net Worth less the Equity of the household. <p>Scenario 3: Ask participants 3 – 10 to squeeze themselves into space 10. Instruct numbers 1 and 2 to spread out in the remaining space.</p> <p>ASK: Can anyone interpret what this represents? <i>After people contribute, show PPT slide.</i></p> <p>Note: Remember that the lower 4 quintiles (participants with the numbers 3 – 10) represent households making \$83,500 per annum or less.</p> <p>ASK: Why do you think the financial net worth is so unevenly distributed in this country?</p> <p>ASK: How do you think things looked 20 or 30 years ago? Why have they changed?</p> <p>Note: The spaces under each number represent 10% of the available financial net worth in the U.S.; and the 10 spaces together represent all of the financial net worth available in the U.S...</p> <ul style="list-style-type: none"> • Show and discuss other statistics related to income and wealth. <p>Summary and/or Transition</p> <ul style="list-style-type: none"> ▪ Uncover second of the four key concepts on PPT: The disparity in the distribution of assets is even greater than the disparity of income. The poverty statistics alone, therefore, under represent the number of individuals and households that lack economic security. ▪ And for households making less than \$33,500 per year (the bottom two quintiles or 40% of the population), their financial net worth is-- 0.7%. ▪ Households in this income range are the targets for IDAs. 	<p>PPT 9- Financial Net Worth</p> <p>PPT 10</p> <p>PPT 11-- 12</p> <p>Participant Workbook pages 5 -- 9</p> <p>PPT 13</p>
30 minutes	<p>Activity #3: The Benefits of Asset Ownership (small group exercise)</p> <p>Introduction We have explored two of the four principles that provide the context for and led to the development of IDAs:</p> <ol style="list-style-type: none"> 1. Assets lead to wealth and economic security. Income alone does not. <i>“People cannot spend their way out of poverty.”</i> 2. The disparity in the distribution of assets is even greater than the disparity of income. The poverty statistics alone, therefore, under represent the number of individuals and households that lack economic security. 	<p>PPT 13</p>

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	<p>We are now going to examine the benefits of asset ownership, the third key concept in understanding asset-building theory.</p> <p>Instructions</p> <ul style="list-style-type: none"> • Get participants into 3 teams (if there are more than 18 people, you can have two group 1s, two group 2s, etc. OR you can have four teams with one group repeating one of the assignments. • Give groups the assignments outlined below. • Instruct the groups to write their responses on a flip chart for presentation to the larger group. • Explain that they have 10 minutes to complete the exercise. • Since each group has two questions, either set up a T-chart for responses or have them use different flip charts to answer each question. <p>Group 1: How does acquiring and holding assets help an individual, family, or household <u>economically</u>? How does a citizenry acquiring and holding assets help the community in which the individuals reside economically?</p> <p>Group 2: How does acquiring and holding assets help an individual, family or household <u>psychologically</u>? How does a citizenry receiving psychological benefits from acquiring and holding assets help the community in which the individuals reside?</p> <p>Group 3: How does acquiring and holding assets help an individual, family or household <u>socially</u>? How does a citizenry receiving social benefits from acquiring and holding assets help the community in which the individuals reside?</p> <ul style="list-style-type: none"> • Give the groups 10 minutes to answer the questions on flip charts. • Have each group present. <p>Note: If there is more than one group answering the same question, instruct the groups to do a cumulative report to avoid repeats and save time.</p> <ul style="list-style-type: none"> • As each group presents, invite other participants to ask questions or even add to the lists. <p>Summary and/or Transition</p> <ul style="list-style-type: none"> ▪ Uncover third of the four key concepts written on PPT: There are tremendous economic, social and psychological benefits to asset ownership. These benefits accrue not only to the individual asset owner, but also to the household, neighborhood, and community in which the asset owner resides. ▪ Indicate those ideas raised by the groups that have been backed up by research. ▪ Also discuss how much of what has been listed above can be the key to making the case for IDAs at the end of the session. ▪ “Finally, we will look at ways in which the U.S. government has 	<p>Participant Workbook page 10</p> <p>Flip charts or Post-it sheets for each group</p> <p>PPT 14–Group Assignments</p> <p>PPT 15</p>

Time Estimate	Activity and Facilitation Notes	Reference Materials
	previously supported or provided incentives for asset building for its citizens.”	
10 minutes	<p>Activity #4: Presentation—Historical Precedents for Supporting IDAs</p> <p>Introduction Explain that you will spend a few minutes exploring historical precedents for government-supported asset ownership.</p> <p>Presentation</p> <ul style="list-style-type: none"> • Point out that IDAs and asset building represent a shift in policy for low-income people—people can’t spend their way out of poverty. They need a safety net and the ability to build human, physical, and financial assets to ensure a financially stable future • Point out that low-income people have been historically penalized for accumulating assets through the very programs set up to help them. • Discuss the long history of asset-building policy in the U.S. which has been targeted at middle- and upper-income families <ul style="list-style-type: none"> ○ Homestead Act (not a good thing for all people in this country) ○ GI Bill ○ Home Mortgage Interest Deduction ○ IRAs ○ 401Ks • Discuss initiatives that are examples of asset-building tools being used in communities around the country to complement the traditional, stand-alone income maintenance efforts <ul style="list-style-type: none"> ○ affordable housing ○ financial education ○ tax preparation services ○ microenterprise development ○ workforce development • Point out that IDAs are about adding another tool to the asset-building toolkit to further extend the system that encourages asset building among middle- and upper-income folks to low-income families by creating a system that not only supports but encourages matched savings for the purchase of productive assets—homes, businesses, and career-enhancing education or training. • Point out that IDAs provide a link between asset-building strategies, such as microenterprise development and savings, financial education, and access to mainstream financial services. <p>Summary and/or Transition</p> <ul style="list-style-type: none"> ▪ Uncover fourth of the four key concepts on PPT: There are historical precedents for government-supported asset ownership; these incentives, however, often do not reach people with low income (40% of the population). 	<p>Participant Workbook page 11</p> <p>PPT 16</p> <p>PPT 17</p>

Time Estimate	Activity and Facilitation Notes	Reference Materials
10 minutes	<p>Activity #5: Individual Development Accounts (facilitated discussion and brainstorming)</p> <p>Introduction We now have an understanding of asset building and the context for IDAs. Here we will describe an IDA and identify the problems IDAs do address for individuals, households and communities, as well as challenges or problems that IDAs are not designed to address to ensure we understand the possibilities as well as the limitations of IDAs.</p> <p>ASK: What is an IDA?</p> <ul style="list-style-type: none"> ✓ <i>A matched savings account</i> ✓ <i>Designated for investment in productive assets: generally homeownership, business start-up or career enhancing education/postsecondary education</i> <p>ASK: Who developed the concept of IDAs?</p> <ul style="list-style-type: none"> ✓ <i>Michael Sherraden introduced the concept in <u>Assets and the Poor: A New American Welfare Policy (1991)</u>.</i> <p>ASK: What problems do you think IDAs were designed to address?</p> <ul style="list-style-type: none"> ✓ <i>Overcome barriers to acquiring assets and accumulating wealth</i> ✓ <i>Unequal distribution of assets</i> ✓ <i>Give low-income people opportunities and incentives to save</i> ✓ <i>Change savings behavior</i> ✓ <i>Provide means for increasing household economic security</i> ✓ <i>Change thinking—short term to long term</i> ✓ <i>Change level of investment in community</i> ✓ <i>Provide opportunities to get productive assets—homes, businesses, education/training</i> ✓ <i>Increase financial management knowledge and skills</i> <p>ASK: What do IDAs not specifically address?</p> <ul style="list-style-type: none"> ✓ <i>Availability of affordable housing</i> ✓ <i>Quality of educational opportunities</i> ✓ <i>Availability of and access to living wages</i> 	<p>Participant Workbook page 13</p> <p>PPT 18- Questions</p> <p>FLIP CHART to write responses</p>
20 minutes	<p>Activity #6: Making the Case for IDAs (exercise in pairs (or up to four) and facilitated discussion)</p> <p>Introduction</p> <ul style="list-style-type: none"> • One of the things you will find you will need to do continuously is “make the case” for asset building and IDAs. • In the beginning, you will need to sell the asset building concept and IDAs to a variety of people. <p>ASK: From whom do you need to get buy in before you begin the program? <i>Write responses on flip chart.</i></p> <p>ASK: After you start your AFI IDA Project, from who will you need to get buy in?</p>	<p>Participant Workbook pages 15 - 16</p> <p>FLIP CHART to write responses</p>

Time Estimate	Activity and Facilitation Notes	Reference Materials
	<ul style="list-style-type: none"> • The information we discovered during this session provides a great deal of the “case making” information you will need to get potential stakeholders and partners involved in the AFI IDA Project. <p>Instructions</p> <ul style="list-style-type: none"> • Assign partners or let participants choose their partners. It may be more effective to split up participants from the same organization. • Instruct each pair to write a couple of paragraphs that they think would succinctly make the case to a funder interested in community and economic development but not necessarily familiar with IDAs. • Give pairs 10 minutes. • Have 2 – 5 pairs present their “cases.” • Ask the other pairs to “evaluate” the effectiveness of the case. • As a group, ask and answer the questions on page 16. <p>ASK: What additional information would you need about the <u>funder</u> to make a compelling case? <i>Write the responses on flip charts.</i></p> <p>ASK: What additional information would you need about your <u>community</u> to make a compelling case? <i>Write the responses on flip charts.</i></p> <p>ASK: What are some other ways you could use the information provided in this session to build an awareness of asset building and IDAs among local, regional and state level policy makers, funders, business leaders, and media? <i>Write the responses on flip charts.</i></p> <p>Summary and/or Transition</p> <ul style="list-style-type: none"> ▪ This last segment can be a transition further training on resource development or to workshops on other kinds of economic development. ▪ If participants are not familiar with Assets for Independence, the facilitator could spend some time explaining how AFI exemplifies this approach and encourage participants to contact the AFI program to explore how it might complement their organizations’ current activities. ▪ The facilitator may also pick up on other asset-building strategies more directly linked to participants and encourage discussion and adoption of this approach in their current programs, such as job training, adult education, small business development, and the like. 	<p>PPT 19- Questions</p> <p>FLIP CHART to write responses</p>