

Asset Building and Early Childhood Programs

Strategies for Family Financial Security

Asset building is an approach that emphasizes the value of enabling individuals and families to learn about and use sound family budgeting and money management practices to address financial issues, and to plan for long-term success. Given the importance of family financial stability, the Administration for Children and Families (ACF) has made it a priority to share information about asset building to all ACF divisions/programs. This effort is being coordinated by the Office of Community Services (OCS) in partnership with the Office of Head Start, the Office of Child Care and other ACF offices. ACF, with guidance from OCS, has identified six strategies that are fundamental to the asset building approach.

- Financial education
- Savings and Individual Development Accounts
- Getting banked
- Managing credit and debt
- Tax credits and tax filing assistance
- Accessing Federal and State benefits

When coordinated over time, these strategies can help families be more successful at addressing financial challenges and creating lasting financial security for themselves and their children. These strategies describe skills and supports that are helpful to families with low incomes in their day-to-day decision making and as they set goals for the future. There are many different ways these strategies can be integrated into the current work of Head Start programs and child care programs both in support of families as well as staff and providers. Each strategy is described briefly below. To learn more about these strategies or to explore how to integrate them into your services, see the references at the end of this document or contact the Office of Community Services' Assets for Independence Resource Center on the web at www.IDAresources.org or via email at info@IDAresources.org.

Financial Education

Families need to understand basic financial concepts to address everyday needs and to plan for the long-term. Financial education for parents and staff can be incorporated into early childhood services or programs by offering financial education or family budgeting training on site or by referring parents and staff to off-site classes (or online resources). Training topics might include savings, managing credit and debt, using mainstream financial services, and tax filing assistance. Financial education curricula tailored for all ages, literacy levels, and many cultural contexts are available at no cost, including those that engage parents and children together. Even without a full scale curriculum, programs can use key teaching moments to assist families with budgeting for holidays or planning for tax returns, for example.



The Federal government's premier financial education curriculum is the Federal Deposit Insurance Corporation's (FDIC) *Money Smart* curriculum, available for free in print, CD, and on-line versions. The FDIC presently provides free training on using the curriculum. For information about the curriculum and related services, visit the FDIC website <http://www.fdic.gov/consumers/consumer/moneysmart/index.html>.

Additional information is available on the Federal financial education website at www.mymoney.gov. Finally, programs may reach out to the U.S. Department of Agriculture Cooperative Extension Service at www.extension.org/personal_finance, the Assets for Independence Resource Center at www.IDAresources.org, and local asset building coalitions to identify free trainers, curricula and programs.

Savings and Individual Development Accounts (IDAs)

A nest egg of cash savings to help families stay afloat in case of job loss, health crisis, or other emergencies is an important building block for financial stability. An Asset for Independence (AFI) is an ACF demonstration program administered by the Office of Community Services. The AFI demonstration provides matching funds for special savings accounts known as Individual Development Accounts (IDAs). Families use IDAs to save for a long-term goal such as a first home, education, or for small business expenses. AFI grantees provide access to IDAs which make the first asset possible for many low-income families. Along with financial education, the asset is the basis for stronger financial stability. Head Start and child care programs can partner with AFI grantees (many of which are co-located in Community Action Agencies) to enable families to use IDAs.

Beyond the family setting, IDAs can be an important resource for developing and retaining the early learning community workforce. For example, in-home child care providers may use IDA savings to strengthen their child care small businesses by investing in business planning, equipment or the costs of professional training and licensing. Similarly, Head Start and child care programs can encourage staff who qualify to open IDAs and save for education and professional development courses related to quality requirements or for personal financial goals, such as owning a home. For information about the Assets for Independence program, IDAs and programs administering IDAs in your community, please visit: www.IDAresources.org

Getting Banked

Families who use services and products at well-regulated financial institutions pay less for necessary financial services such as check-cashing and bill paying. Basic bank accounts enable families to reduce reliance on check-cashers and other high-cost "fringe" financial outlets that often charge exorbitant fees for services and high rates for even small loans. For example, typical borrowers from pay-day lenders pay interest in amounts more than two times the loan amount. Building trust between low income communities and credible financial institutions and getting families and staff connected to regulated banking services so they can choose wisely among mainstream banking products is essential. For more information on strategies for working with financial institutions and encouraging them to provide services to families in your community, go to

www.joinbankon.org. Low-income or community development credit unions, found at the National Credit Union Administration www.ncua.gov, may also be good options for families. In addition, programs can reach out to the FDIC, Community Affairs Offices of regional Federal Reserve Banks, and local asset building coalitions for more information.

Managing Credit and Debt

Many families face challenges with credit and debt issues. Low credit scores and negative credit history have real implications on a family's financial status. They reduce employment opportunities and increase the costs of housing and other necessities. Having a strong credit score, a good credit history, and knowing how to borrow and manage debt reinforces financial security. Credit counseling helps people learn to manage and reduce debt while at the same time take positive steps to improve their credit. Connecting families and staff to services to assist with credit and debt will help them succeed on the road to financial stability. Resources that may be helpful to Head Start programs and child care providers include the Federal financial education website at www.mymoney.gov, the Credit Builders Alliance at www.creditbuildersalliance.org, America Saves at www.americasaves.org; and the National Foundation for Credit Counseling at www.nfcc.org. Programs may also reach out to the Assets for Independence Resource Center and local asset building coalitions for more information.

Tax Credits and Filing Assistance

Families with low incomes qualify for substantial financial support in the form of tax credits and tax refunds from the Federal government and, in some locations, from State and local governments. Individuals can access such credits as the Earned Income Tax Credit (EITC), the Child Tax Credit, the Child and Dependent Care Credit and others. Payments received through these credits often are enough to boost families out of poverty.

Head Start programs and child care programs can help ensure that families know about these important tax credits. Families can learn how to make the most of their refunds by using them for daily necessities, paying down debt, saving or adding to savings, buying bonds for long-term goals or other activities that help families build financial security. Many communities have free Volunteer Income Tax Assistance (VITA) programs and other low-cost programs that assist families with filing tax forms and claiming applicable credits. Grantees that would like to establish VITA sites can receive training, software and guidance from the IRS and other sources.

Information on local tax coalitions is available from the National Community Tax Coalition at www.tax-coalition.org. In addition, the Internal Revenue Service sponsors VITA programs and Tax Counseling for the Elderly programs that help individuals and families to file tax returns and claim the tax credits. *To locate a VITA site in your community, call 1-800-906-9887 or check online [VITA site list](#) online.* Many communities have mobile VITA sites that can stop by your centers. Finally, free outreach materials and resources can be found at www.eitc.irs.gov and eitcoutreach.org.

Accessing Federal and State Benefits

Many families that are struggling with financial matters require support for the short term, as they work to create a more stable economic future for themselves and their children. Many families with low incomes are eligible for Federal and State benefit programs that can extend the reach of their income. Certain public benefits may provide a safety net for families while other benefits may be available to help families pay down debt, build credit, or meet monthly savings goals. Helping families identify public benefits, such as food assistance and medical benefits can be an important element toward self sufficiency with an eye towards achieving family financial goals and building future savings. The website www.benefits.gov/ may be of assistance to families in determining which programs they are eligible for.

Contact Us

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