



Community Economic Development • Job Opportunities for Low-Income Individuals

2012 CED/JOLI Grantee Conference
Building Healthy Communities
February 22 – 24, 2012

Asset-Building: A Focus on Financial Capability

Sherry Salway Black

Director, Partnership for Tribal Governance

National Congress of American Indians

Asset Building: A Focus on Financial Capability

- A little bit about my background
- NCAI – Partnership for Tribal Governance
- First Nations Development Institute and Oweesta Corp.
- First Peoples Fund
- Johnson Scholarship Foundation
- Hitachi Foundation
- President's Advisory Council on Financial Capability



Assets Building: A Focus on Financial Capability

Presentation Focus

- Asset Building Overview
- Behavioral Research for Asset Building
- Financial Education/Capability



Asset Building Overview

- Income, Assets and Wealth
- Strategies
 - Education
 - Financial Education
 - Business Development/Entrepreneurship
 - Home Ownership
 - Savings/Individual Development Accounts
 - Other



Asset Building Overview

A Few Program Examples

- Asset Initiative – Administration for Children and Families
- CFED – Assets and Opportunities – www.cfed.org
- First Nations Development Institute – www.firstnations.org



Applying Behavioral Economics to Asset Building

What is Behavioral Economics?

“Behavioral economics is the study of how people make choices – not in a simplified economic model, but in the textured and rich reality of daily life – and draws on insights from both psychology and economics.”

From the report “Applying Behavioral Research to Asset Building Initiatives: Lessons from a Year of Experimentation”

CFED



Applying Behavioral Economics to Asset Building

Why is this important to our work?

How can we help people make better decisions and follow through on good intentions when decision making is varied and not at all “rational”?

Asset building programs might greatly increase their impact by leveraging the expanding and illuminating literature in behavioral science on how and why people make the surprising decisions they do



Financial Education and Capability

- Definitions
 - Financial Literacy
 - Financial Education
 - Financial Capability



Financial Capability Challenges and Opportunities in the U.S.

- Indicators that many of us are not financially capable
 - Adults scored a grade of C in financial literacy
 - High school students mainly receive failing grades
 - 49 percent of Americans report difficulty covering their expenses and paying bills
 - 12 percent report that spending in past year exceeds income
 - Majority do not have a “rainy day” fund for emergencies



Financial Capability Challenges and Opportunities in the U.S.

- Clutter
- Lack of Standards
- Access Issues
- Persistent financial exclusion
- Reluctant venues (schools and workplace)
- Lack of research



Financial Capability Challenges and Opportunities in the U.S.

- Repetition
- Temporal Proximity
- Spatial Proximity
- Adult Learning Techniques
- Teachable Moments
- Teacher Preparedness
- Schools
- Youth Learning Techniques
- Parents



President's Advisory Council on Financial Capability

- Created January 29, 2010 by Executive Order
- Advise the President and the Secretary of the Treasury
- To empower Americans to better understand and address financial matters
- To improve financial well-being



President's Advisory Council on Financial Capability

- Financial crises of 2008
- Sub-prime lending crisis, excessive credit card and student loan debt, predatory practices, lack of financial knowledge and access
- Improved financial capability can help address these issues, but is even more fundamental to the challenges facing our country



President's Advisory Council on Financial Capability

- A financially capable population is required for:
 - entrepreneurship, which drives job growth;
 - restoring economic mobility and reducing the widening income gap; and
 - an informed civic dialogue on taxes, entitlements, government debt, and other critical issues facing our country.



President's Advisory Council on Financial Capability

Themes

- **Theme 1:** Financial education should take its rightful place in American schools
- **Theme 2:** We should build a financially capable workforce and retiree community, which is necessary for a stable and globally competitive economy
- **Theme 3:** Americans should also learn core concepts of personal finance at the heart of their lives – in their families and in their communities



President's Advisory Council on Financial Capability

Principles

1. Be focused, impactful, executable and have measureable outcomes.
2. Align with, consolidate and boost, rather than supplant, existing efforts of the private, for-profit, non-profit, and governmental sectors.
3. Be consistent with the latest findings in behavioral economics.



President's Advisory Council on Financial Capability

4. Address issues related to the entire population, and where appropriate, take into account the particular needs of traditionally underserved populations (e.g., women, minorities, low and moderate income consumers, and the elderly).
5. Leverage the use of technology to engage, inform, and impact behavior.



President's Advisory Council on Financial Capability

Subcommittees

- Youth
- Partnerships
- Financial Access
- Research and Evaluation



President's Advisory Council on Financial Capability

Accomplishments

- Youth and Schools – Promoted record participation in the financial capability challenge, reaching more than 84,000
- Benefitted from more than a dozen listening sessions
- Extensive survey of behavioral finance research
- Provided input to the Financial Literacy and Education Commission's working group on research and evaluation to identify key knowledge gaps and national research priorities



President's Advisory Council on Financial Capability

Recommendations

- Spark technologically creative channels to promote financial capability and financial access
- Support a newly-created private sector award recognizing employers that provide outstanding financial education for their employees
- Support data collection to create baselines and to measure change over time
- Support development and dissemination of universal outcome metrics, standards and research



Asset Building: A Focus on Financial Capability

Please provide any comments you may have on the President's Advisory Council on Financial Capability Interim Report to me at sblack@ncai.org

Thank You.