

Nefe Digest

January/February 2003

A Publication of the National Endowment for Financial Education

NEFE Collaboration Provides Financial Literacy Education to Low-Income Savers

Inside

City Year Collaboration
Helps Young People
Serve America page 2

NEFE Awards \$157,957
in New Grants page 2



For the person who struggles from week-to-week just to pay the rent and buy food, saving money can seem like a pipe dream. But what if someone matched every dollar you saved *and* showed you ways to manage your money more effectively? Would the dream seem so impossible then?

Helping people build assets while teaching them financial literacy skills

are the goals of Individual Development Account (IDA) programs, which have grown from a few small initiatives in 1993 to more than 500 programs in 49 states. At the core of the IDA movement is a belief that people can escape poverty and achieve wealth through asset acquisition.

Individual Development Accounts are dedicated savings accounts that can be used by eligible participants, typically low-income individuals, to start a business, buy a first home, or further an education. A participant's own savings in an IDA are matched with an average of \$2 for each dollar saved (although match rates vary from 50 cents on the dollar to 9-to-1). The matching funds might come from government, corporations, foundations, community groups, or individual donors.

While participants learn the value of saving through their IDAs, they also gain other money management skills by completing a financial education program. One such program was recently developed through a collaboration among the National Endowment for Financial Education® (NEFE®), the Corporation for Enterprise Development (CFED), and the Fannie Mae Foundation.

These three organizations joined forces with leading IDA sponsors to develop a high-quality, practical program to help IDA participants gain the fiscal knowledge they need to make the most of the opportunities presented by their IDA savings.

Continued on page 3

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City Year Collaboration Helps Young People Serve America

In 1988, former President Bush first spoke of his “thousand points of light” initiative to renew national interest in American volunteerism. Since then, each successive presidency has embraced service to community and others through various programs.

City Year, a member of the AmeriCorps national service network, is one such program. City Year engages 17-to-24-year-old young people from diverse backgrounds for a demanding 10 months of full-time community service.

Upon completion of the 10-month term, each City Year corps member receives a \$4,725 educational award. Corps members also receive a weekly stipend of between \$150 and \$230 to pay for living expenses during their service. However, due to this limited budget, a number of the participants were forced to leave the program early because of financial difficulties, according to Brent Neiser, NEFE director of Collaborative Programs.

Although City Year has, in the past, provided corps members with workshops to help them live on their stipend, the organization also wanted to provide

concrete financial literacy information to its members.

To achieve this, NEFE collaborated with City Year to create a 56-page booklet titled *A Foundation for a Lifetime of Service: Personal Financial Responsibility*.

The collaboration sought to confront both immediate and long-term financial challenges faced by participants. “We wanted to increase core members’ financial literacy so they learn the importance of saving and how they can begin to invest in their future *now*,” said to Marguerite I. O’Brien, City Year national program co-director.

The booklet achieves these goals by covering the fundamental components of financial education. It’s also customized to reflect the experiences and challenges specific to City Year and the corps members.

“There’s a link between personal finance and service,” explained Neiser. “If the members aren’t worried about their finances, they can be more effective contributors to their communities—and, hopefully, they’ll continue their commitment to service for a lifetime.”

NEFE President in C-SPAN Panel Discussion

William L. Anthes, Ph.D., president and CEO of NEFE, recently took part in a panel discussion titled “Financial Education: Is it Effective?” which was televised on C-SPAN2 December 6, 2002. The discussion was part of the Consumer Federation of America (CFA) annual conference, “The Consumer in the Financial Services Revolution.”

The event was designed to inform participants about new research, policy proposals, and legislative prospects concerning banking, insurance, investing, and housing issues. In discussing the efficacy of financial education, panel members noted the growing impact of related programs on the financial literacy of the American public. Stephen Brobeck, CFA executive director, moderated the panel. Other participants included Karen Murrell, outreach and education senior director from the Fannie Mae Foundation, and Lewis Mandell, managerial economics professor with State University of New York at Buffalo.

NEFE Awards \$157,957 in New Grants

Two programs recently qualified for a total of \$157,957 in funding through the NEFE Grants Program. While both of the grant recipients focus on financial education, each targets a different audience. One concentrates on families, the other on low-income populations. The recipients include:

The University of Arkansas, Fayetteville, Arkansas (Myria W. Allen, Ph.D., Associate Professor): “Improving Parent-College Student Discussions about Credit”

The University of Arkansas was awarded a \$106,741 grant to complete a research

project that will identify and distinguish different communication “styles” used by families to discuss financial issues. Research will involve surveying parents and college students at four universities nationwide. The project will result in the development of an interactive CD-ROM intended to present users with clear and relevant financial information.

The program, geared toward families with high school- or college-age students, will tailor the material presented on the CD-ROM to each family’s particular communication “style” to improve discussions surrounding credit, debt management,

and other monetary issues important to students’ short- and long-term financial goals. The project is scheduled for completion in October 2004.

Office of Port Job Opportunities and Business Support (Port JOBS), Seattle, Washington (Susan Crane, Executive Director): “Car Ownership and Financial Literacy Project”

Low-income populations, including individuals moving from welfare to work and immigrants, need reliable transportation to secure better-paying

Continued on next page

NEFE Collaboration

Continued from page 1

“CFED has been a prime mover in the IDA field since the beginning, so we were pleased to have the opportunity to work with them,” said Brent Neiser, director of Collaborative Programs for NEFE. “The Fannie Mae Foundation, a leader in making homeownership a reality for low-income Americans, added financial support to the project.”

A participant’s workbook, *Finding Paths to Prosperity*, was written and produced by NEFE, with input from CFED and the Fannie Mae Foundation. The workbook covers topics that include setting goals, planning for life events, addressing attitudes about money, developing spending plans, repairing credit, and considering saving and investing options. It also includes easy-to-understand worksheets to help IDA account holders track their spending and reduce their debt. The workbook is written at a literacy level and in a form that can be easily understood by account holders of varying cultures and socioeconomic backgrounds. NEFE provided 78,000 copies of the workbook to CFED for distribution to IDA sites across the United States, and more than half are already in use.

Continued from previous page

jobs. At the same time, many of these individuals need basic financial skills to help them manage the expenses that come with owning and operating an automobile for the first time.

NEFE granted \$51,216 to Port JOBS to develop an education program that will integrate financial literacy and car ownership. Upon completion, this model program can be replicated in “Working Wheels” programs, or similar endeavors, around the country. “Working Wheels” is a nonprofit employment program designed to sell affordable, used cars to low-income workers and job seekers. Participants in the program will

“We wanted the workbook to present the concept that prosperity means more than just having money to spend on things that are here today and gone tomorrow,” Neiser said. “Prosperity means building assets that have a lasting value, such as a home, a business, or an education.”

Finding Paths to Prosperity was integrated into a larger project developed separately by CFED and Fannie Mae, titled the IDA Financial Literacy Initiative. The complete package includes a facilitator’s guide, a CD-ROM, and a train-the-trainer component, in addition to the workbook. The IDA Financial Literacy Initiative materials are available to IDA programs free of charge.

Robert Friedman, chair of CFED, noted, “We sought to develop a product that would bring together the best thinking and practices of dozens of IDA program practitioners, along with the most engaging methods of adult education. Based on the feedback of users, the project is achieving the twin goals of reducing the cost and increasing the quality of financial education in IDA programs.”

For more information about the IDA Financial Literacy Initiative and the Corporation for Enterprise Development, visit www.cfed.org or the IDANetwork at www.idanetwork.org.

complete the financial education curriculum before receiving a car.

To learn more about the NEFE Grants Program, visit the “Innovative Thinking/Grant Guidelines” section of NEFE’s Web site at www.nefe.org, or contact Marilyn Canfield, director of Grants Administration, at (303) 224-3534, or mhc@nefe.org.

Holiday Closings

NEFE will be closed January 1 for New Year’s Day and February 17 for President’s Day.

Saving in IDAs

Michael Sherraden, Ph.D., director of the Center for Social Development at Washington University in St. Louis, is often credited for the birth of the IDA movement, as a result of his groundbreaking book, *Assets for the Poor*.

In testimony before the President’s Commission on Social Security in 2001, Sherraden shared some findings about IDA savers, based on a survey of 298 participants in a demonstration and research project on IDAs known as the American Dream Demonstration. These include:

- 70 percent of respondents said that following their participation in the IDA program, they shopped more carefully for food in order to find money to save; 68 percent said they ate out less often; 64 percent said they spent less on leisure.
- 59 percent of respondents strongly agreed or agreed that because of their participation in the program, they were more likely to work or stay employed.
- 93 percent strongly agreed or agreed that participation in the IDA program made them more confident about the future.
- 84 percent said their participation in the IDA program made them more economically secure.
- 85 percent said their participation in the program gave them more control of their lives.
- 60 percent said that participation in the program made it more likely that they will make education plans for their children.

“Based on these and other results, it would be incorrect to assume that low-income people, even those far below the poverty line, cannot save and accumulate assets,” Sherraden said.

5299 DTC Boulevard
Suite 1300
Englewood, CO 80111-3334

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All questions regarding *NEFE Digest* may be addressed to the Communications department, *Editor*: Amanda Cherry. NEFE is open Monday through Friday, from 8:30 a.m. to 5:00 p.m. Mountain Time. The main telephone number is (303) 741-6333; the fax number is (303) 220-0838. Visit the NEFE Web site at www.nefe.org.

NEFE Digest is published bimonthly by the National Endowment for Financial Education, 5299 DTC Boulevard, Suite 1300, Greenwood Village, CO 80111.

Newspaper Prints Second Run of HSFPP Material

This spring, *The State* newspaper in South Carolina will print, for the second time, an adaptation of the NEFE High School Financial Planning Program® (HSFPP) as part of its Newspapers in Education (NIE) program.

NIE is an international organization that promotes newspapers as educational resources. Papers like *The State* collaborate with local schools to provide curricula in a newspaper format.

The State's NIE project involving the HSFPP included publication of a full-page feature, with information modified from the student guide, once a week for 10 weeks last fall. Beginning in January, the paper will print material from the curriculum for a second 10-week installment. Providing the material again will give teachers the opportunity to expose the HSFPP to a new audience.

“Many of the same teachers who used the program in the fall will be using it again in the spring, but most will have a whole new group of students to work with,” said Elizabeth Schiever, director of the NEFE High School Financial Planning Program.

Because new students will be working with the curriculum, the same basic financial topics will be covered. However, the content will be rewritten somewhat to cover these topics in a new way, so families receiving the paper at home will not be exposed to identical material.

Schiever said she anticipates that the success of the first installment will be replicated not only in the spring printing, but also in similar projects around the country. “Everyone was very pleased with the effort and is excited to see it continue,” she said.