



THE BASICS OF ASSET BUILDING IN MICHIGAN

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Basics of Asset Building Policy

- **Asset Poverty:** the inability to live at the poverty level for more than 3 months without income
- **Asset Building Policy:** any publicly or privately sponsored policy that helps individuals to build assets through saving or investing in a home, education, or small business



Saving is Critical

- The key component in asset building policy is saving
- Asset building policies must be savings programs, provide incentives for program participants to save, or connect participants to other savings programs

“Few people have ever spent their way out of poverty. Those who escape do so through saving and investing for long-term goals.”

- Michael Sherraden
Assets and the Poor

Basics of Asset Building Policy



In the game of Monopoly, unless you have property, you keep going round and round collecting \$200 until you go to jail or lose the game.

Basics of Asset Building Policy



In life, unless you are able to save and earn an asset, you will keep going round and round, dependent in the cycle of poverty.

Basics of Asset Building Policy

- U.S. tax code encourages saving and investment by middle and upper income individuals
- Asset building incentives account for more than **\$400 billion in forgone tax revenue** annually
- Low income individuals may be discouraged to save by anti-poverty programs (i.e. asset limits)
- Low income individuals can and do save when targeted by various asset building policies



Existing U.S. Asset Building Policies

- The Homestead Act
- The G.I. Bill
- Retirement Accounts: IRAs and 401(k)s
- College Saving Accounts: (529s)
- The Home Mortgage Deduction
- Individual Development Accounts (IDAs)
- Lifelong Learning Accounts (LiLAs)
- Family Self-Sufficiency Plan (FSSP)

Asset Building Policies that Target Low Income Individuals

- Matched Savings Accounts
 - ▣ Individual Development Accounts (IDAs)
 - ▣ Children Savings Accounts
 - ▣ Michigan's 529 College Savings Account
- Financial Education
- Employer Provided Savings Tools



Relevance of Asset Building

- 19.7% of MI residents were asset poor in 2009
- 14% of MI residents were in poverty in 2009
- 23.4% of MI residents were under or unbanked

- **Due to the economy, unemployment, foreclosure and bankruptcy rate, it is likely that around one quarter of Michigan residents are currently asset poor**



Michigan Asset Building Coalition

Michigan Asset Building Policy Project

- **ABC:** an alliance of non-profit, for-profit, and governmental organizations, institutions, and individuals actively engaged in supporting effective strategies to reduce asset poverty & help working families achieve financial security
- **ABPP:** Drives the research and advocacy effort for asset building policies and programs in the state of Michigan and implements the goals and action items of the ABC



Next Step for Asset Building Policy

- Inject savings programs into current anti-poverty programs impacting low income individuals in Michigan



Earned Income Tax Credit (EITC)

- EITC – refundable tax credit for low income individuals that increases with greater earnings & phases out as income increases
- Federal credit and Michigan credit
- Encourages work
- Benefits local economies
 - For every dollar in EITC refund received, \$1.67 is spent in recipient's local economy



EITC and Saving

- Volunteer Income Tax Assistance Sites
- www.icanefile.org
- While the EITC benefits local economies when refunds are spent, refunds also represent a lump sum payment to individuals that can be channeled, in part, to ***savings opportunities***



EITC and Saving

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ASSET BUILDING
POLICY PROJECT

EITC Policy in Michigan

- State EITC is 20% of the federal
- Financial Support for EITC Outreach
(Cut from 2009-2010 FY budget)
- 18%-20% fail to claim credit leaving \$90 - \$220 million in unclaimed federal dollars
- House Bill 5296 – Employer Notification
- House Bill 5660 – UIA waiver for VITA Participation



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Final Thoughts

“While the anti-poverty program is cautiously initiated, zealously supervised and evaluated for immediate results, billions are liberally expended for this...war... If we reversed investments and gave the armed forces the antipoverty budget, the generals could be forgiven if they walked off the battlefield in disgust. Poverty, urban problems and social progress generally are ignored when the guns of war become a national obsession.”



Final Thoughts

- Rev. Dr. Martin Luther King, Jr.
February 25, 1967



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