

# Helping Working Families Achieve Financial Security

**Second Edition**

A Report of the **Michigan Asset Building Coalition**  
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## **Executive Summary**



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## Michigan's Current Economic Climate

Michigan's economic landscape has faced consistent decline for over a decade. During the economic recession of 2001, unemployment in Michigan began to exceed other areas of the country, leading to increases in personal bankruptcy and home foreclosure. Since then, Michigan's economy has plummeted, with measures of economic vitality revealing that levels of poverty, unemployment, and bankruptcy stand at record high levels. Today, Michigan's economic climate is arguably the worst of any state in the nation.

The table below presents the recent economic data for Michigan. Notably, Michigan's poorest areas fare even worse in terms of poverty, unemployment, and other indicators than the state average. Six Michigan counties had poverty rates over 20% in 2008. Many of Michigan's cities also fare poorly, with over one third of residents of Detroit, Flint, and Kalamazoo living under the poverty line in 2008. Detroit's unemployment rate hovers near 30%.

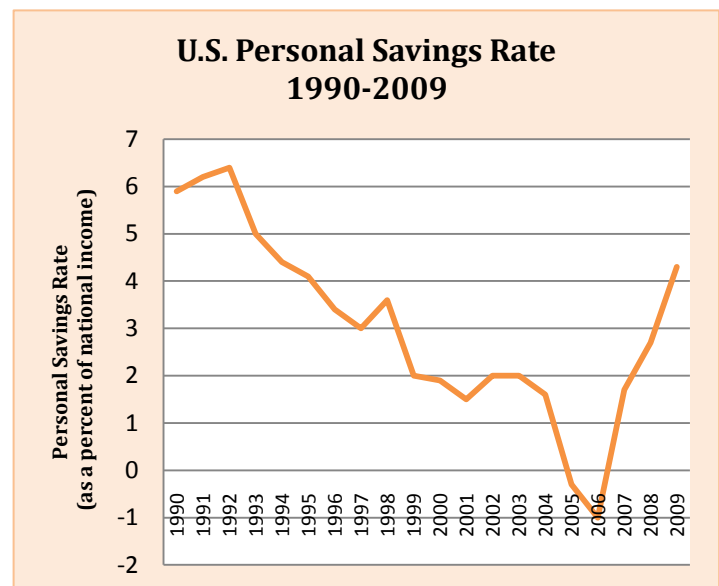
Economic Indicators for Michigan		
Outcome Measure	Michigan	U.S. Average
Poverty Rate (2008)	14.4%	13.2%
Unemployment Rate (2009)	14.0%	9.3%
Asset Poverty Rate (2007)	19.7%	22.5%
Un- and Underbanked Households (2009)	23.4%	25.6%
Bankruptcy Rate (2007)	4.5%	2.7%
Employment Growth (2008)	-3.2%	-0.5%
Foreclosure Rate (2008)	3.5%	3.0%

## A National Opportunity for a Structural Commitment to Saving

The economic recession that began in 2008 exposed the fact that many Americans lacked sufficient savings and assets to help them weather financial crises brought on by job loss, home foreclosure or other financial emergencies. As a result, much of the American population now has an improved understanding of the importance of building financial security through savings and assets.

Across the country, personal savings rates have increased in response to the recession, creating an opportunity for policymakers to harness this trend and pursue innovative asset building policy. New policies can lay a structural pipeline of savings incentives and programs to encourage positive financial behavior now and long into the future. A strong foundation of savings policy will ensure that saving continues even in times of economic prosperity.

The Asset Building Policy Project (ABPP), the policy and advocacy arm of the ABC, will lead Michigan toward a better public and private commitment to saving.



## ABPP Work 2006-2009

The work of the ABPP focuses on supporting a financial environment in Michigan that is conducive to saving for all working families. Because many opportunities and incentives to save already exist for families in the middle and high-income categories, between 2006 and 2009 the ABPP targeted ways to connect low- and moderate-income families with resources to better enable them to invest in their future and achieve lasting and sustainable financial security through saving and building assets.

<b>Asset Building Achievements 2006-2009</b>		
<b>Outcome</b>	<b>Date</b>	<b>Description</b>
<b>Michigan Housing and Community Development Fund (MHCDF)</b>	2006	Purpose of the fund is to develop and coordinate public and private resources to meet the affordable housing needs of low-income households and to revitalize downtown areas in MI; currently no dedicated state funding but a donation check-off box on MI tax forms
<b>State Earned Income Tax Credit (EITC)</b>	2008	State EITC that began at 10% of the federal credit for tax year 2008 and increased to 20% for tax year 2009 and beyond
<b>Refund Anticipation Loan Consumer Protection Legislation</b>	2009	<b>PA 66 (2009)</b> requires certain information about Refund Anticipation Loans (RALs) to be disclosed to consumers including the terms and fees of the loan and allows consumers to rescind a RAL within 24 hours of its issuance
<b>Individual Development Account (IDA) Tax Credit</b>	2008	<b>PA 450 and 451 (2008)</b> create nonrefundable credits for the Michigan Income Tax and the Michigan Business Tax (as well as expand the use of IDAs to include energy efficient purchases) for 75% of contributions toward IDA programs

## 2010 ABPP Policy and Research Goals

To further asset development among Michigan residents, current ABPP research and policy development centers around the following three goals aimed at encouraging and aiding Michigan working families to build assets and grow savings. The specific policy options of these goals can help families build wealth through regular savings, positive financial behavior and other asset building practices.

The goals of the ABPP are:

- **Improve Financial Literacy for All Michigan Residents**
- **Give Working Families in Michigan the Financial Tools They Need to Build Assets**
- **Create an Environment in Michigan that is Conducive to Saving**

These three research and advocacy goals aim to create universal opportunity for asset building in Michigan.

## **Goal One: Improve financial literacy for all Michigan families**

The ability to save and achieve future prosperity requires an individual to possess basic budgeting skills and an understanding of financial products and investment tools. This knowledge, or financial literacy, empowers an individual to take ownership of their economic situation and to become a more savvy consumer and saver. Research and reactions to current economic conditions demonstrate that working families of all income levels struggle with personal finance and would benefit from the increased financial literacy and skills developed in financial education. The ABPP advocates that Michigan increase financial education opportunities for residents at all income levels, especially youth and those who are un- and under-banked. Financial education programs should not stand alone, but should be integrated in areas such as antipoverty programs, like the EITC, and public school curricula to take advantage of “teachable moments.”

## **Goal Two: Give working families in Michigan the financial tools they need to build assets**

While middle- and high-income earners in the United States can make use of various publicly and privately provided tools and incentives for asset building, similar opportunities to save and invest are not as effective for low-income earners. To create universal opportunity for saving for Michigan families, policies focused on helping low-income workers to save can be established or strengthened to fill the gap in savings opportunities between low-income and middle- to high-income workers. There are a variety of tools that low-income workers can use to save and invest: direct savings tools provided through a formal banking relationship, savings programs and incentives integrated into the EITC and other public benefits, matched savings accounts, and employer provided savings tools. In addition, though not direct savings products, alternatives to predatory products and loans for homeownership and microenterprise designed to meet the needs of low-income workers can set working families up to save and invest in the long term. The ABPP advocates increasing publicly and privately supported savings opportunities for workers and families.

## **Goal Three: Create an environment in Michigan that is conducive to saving**

Having sufficient resources to be able to save and invest is critical to ensuring that individuals and families can take advantage of asset building opportunities. To achieve this, Michigan can support policies and practices that establish an environment conducive to saving by connecting working families with increased resources and protecting them from high-cost, predatory products. The ABPP advocates increasing resources available to low-income residents through direct increases in funding to anti-poverty programs and savings initiatives and through better and increased outreach to target populations. The ABPP also advocates strong consumer protections against predatory products.

