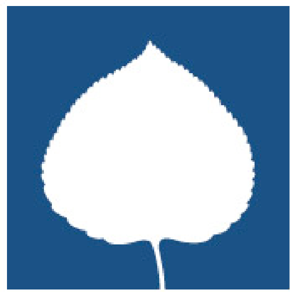

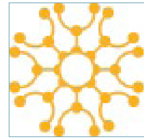

Building Financial Security in America: A 2020-2030 Vision

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Executive Summary

American philanthropic leaders working in the asset-building field have amassed nearly 20 years of experience in helping low-income Americans maintain matched savings accounts that have led to transformative changes such as homeownership, business ownership, post-secondary degrees, and retirement security. In supporting the creation of individual development accounts (IDAs), funders supported the development of a financial tool – a matched savings account – and invested in a non-profit operating system that provided structure and support to allow savers to succeed. The success of IDAs allowed funders to envision bold new private-public systems that could bring 40 to 50 million Americans into not just the financial system, but also the savings and investment system. Funders also simultaneously supported related work in financial access – savings accounts, prepaid cards, savings bonds at tax time – that complemented earlier work on credit for consumer and microfinance needs. Funders have both shaped a field of practice in asset building and coupled this with policy work. The combination has allowed funders, practitioners, private sector actors, and policymakers to imagine the transformation of account holding in America over the next 20 years.

The vision for the next two decades – America by the year 2030 – is one where low- and moderate-income Americans enjoy a transformed relationship with their money. It is a vision where money becomes easier to manage, to grow, and to protect. It begins with an easier way to save for emergencies and the needs of daily life. This kind of new account would be protected by traditional banking regulations and by the new consumer protections around financial products in the Consumer Financial Protection Bureau (CFPB). The 2030 vision is also a boldly reformed system of new accounts and a system of new matching money that accelerates the growth of funds in these accounts. Success could mean that we would see within the next 20 years over 60 million new accounts – half of them started as child savings accounts and the other half started in the retirement system for workers historically left out. Success would mean not merely new accounts, but also accounts on track to become substantial – child accounts that reach $20,000 by adulthood, and retirement accounts that reach $150,000 – all achieved by very modest individual contributions, matching funds, compound interest, and investment performance. To be sure, such a change would engender many related systematic changes in the way that non-profits would be organized to support these new structures, how schools would be involved, how families would behave, how tax time would change, how technology would adapt. Yet the anchor of this vision is new accounts and new money – a change in the financial sector and in tax policy that would reward and structure accounts.

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The Initiative on Financial Security at the Aspen Institute is a leading policy program focused on bold solutions to help all Americans at every stage of life to save, invest, and own.

www.assetfunders.org
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In order to achieve the bold vision of new accounts and new money by 2030, the medium-term message for philanthropy is to increase its grant making dedicated to catalyzing the policy change that is necessary to turn vision into reality. The medium-term need is for grants that are catalytic and strategic for policy change. The time has passed for demonstrations to prove the concept that low-income Americans can save. The medium-term focus should be on supporting local asset-building work that is strategically linked to a larger vision of new accounts and new money. Funders do not need to make grants that would constitute direct and grassroots lobbying, but to move the policies that would create new accounts and new public funding, philanthropic support needs to be solid for the group of advocates, consumer voices, thought leaders, financial experts, and academic leaders who will be called on to advance this battle. The next 8 years – a 2020 vision for the medium term – are the most challenging. The inspiration is sound, the experience and data is promising, and the vision is powerful. What is most difficult is that achieving this vision requires engaging in an extremely difficult policy fight that is much broader than a savings vision. Advocates for financial access have already achieved a major victory with the Obama Administration's success at positioning a new agency to protect consumers as part of a reformed financial system. Yet the battle to sustain and secure this victory is not over. Philanthropy has a role in helping consumer protections become meaningful.

The goal of transforming how Americans manage and grow money reaches into the heart of democratic discourse on the size of government, the role of tax policy, whether we will seek equity in the way we reward savings, and how serious we are in adding in systems that grow a financially secure middle class. The Aspen Institute's Initiative on Financial Security (Aspen IFS) estimates that the cost of a truly progressive vision of new accounts and new money that includes emergency accounts, child accounts, and retirement accounts with matching dollars is approximately $5 billion each year, or $50 billion over 10 years. While substantial, it is modest in a tax code that already rewards savings through tax deferrals on savings in retirement plans at a level of over $100 billion annually – a number that is expected to grow to over $200 billion annually by 2015.[1] The next 8 years will most likely be a time for substantial reform of tax policy as the nation grapples with how to pay for the government that its citizens desire. This is the logical moment to advance asset policies for new accounts and new money. Tax battles are notoriously difficult, but missing this moment would be a tragedy. The vision of broad changes in account holding is not a modest agenda that one agency of government has the jurisdiction to achieve. While the battle is complex, the strongest argument that the asset field has is its clarity around the central vision to build savings and assets of millions of American consumers struggling to maintain a foothold in the middle class or to reach middle-class status. Savings and assets offer an anchor that is a crucial complement to economic mobility and security. In addition, the battle for child accounts is one that has a unique appeal. Child accounts do not start from a place of blame or need, but rather they tap into a deep aspiration for opportunity. Child accounts for all children, while they only have a small constituency now, may be the best idea the asset building field has advanced. They offer a powerful, albeit slow and steady, approach to building a savings system where everyone has a foothold in the financial system that is needed for life in the modern world.

Philanthropic leaders who have experience in the fight for a transformed financial system are not necessarily experienced in the policy battles over tax policy that have a social justice core. The fight for health care reform would suggest that this is a fight that cannot be fought only in DC and that the funding dedication of Atlantic Philanthropies and the California Endowment to the grassroots organizing was a decisive investment. There is undoubtedly other experience to draw on and new allies to find. This is critical to the medium-term goals. Alliances with the financial industry are essential. The financial industry has great power in these discussions and is cautious about changes to the status quo. Yet the industry is not uniform, and there is renewed impetus for reform within the financial industry as it seeks new business models for selling and managing successful consumer financial products. While funders of the asset building movement may have different priorities than the financial industry, when it comes to tax policy this is a ripe time to understand the overlap in interests. The capacity of matched savings to spur savings account creation, build wealth, inspire sacrifice, change heads, and change life opportunities is something asset funders understand. It is not common knowledge in financial or policy communities. The successes of nearly two decades of work should not be minimized. Rather, this is a time to use these lessons in the larger debate. Private philanthropic funding can never be large enough to build and sustain a system of matching grants for millions of Americans. The full vision of accounts for all with funds to match and catalyze is only possible in a partnership with federal policy. A transformed financial system that builds economic and financial security and makes opportunity possible has to find a way to reward the savings of lower-income Americans just as it does to those with higher incomes.

[1] Budget of the United States Government, Fiscal Year 2011, Analytical Perspectives tbl. 16-1.

The View from the 1990s: Assets Matter and the Power of the IDA

Michael Sherraden's breakthrough research in the 1991 *Assets and the Poor* inspired a major shift in the approach to combating poverty by progressive foundations, community development organizations, and policy leaders.[2] Sherraden's work argued that gaining successful, multi-generational progress against poverty would take more than a job; it would take an ability to convert income into assets that moved individuals and ultimately several generations of families into greater financially secure lives. Sherraden's work was complemented by another breakthrough analysis by Melvin Oliver and Tom Shapiro in their 1996 book *Black Wealth, White Wealth*. Oliver and Shapiro took the assets case even deeper and showed that until and unless we are able to support new forms of wealth holding in America by lower-income Americans, we would not make real gains in closing the wealth gap or in truly moving generations of low-income Americans toward lives of financial security and stability – the promise of the American Dream.[3]

Yet the anchor of this vision is new accounts and new money – a change in the financial sector and in tax policy that would reward and structure accounts.

Sherraden offered not just a diagnosis to the shortcomings of income-based policy, but also a solution to capture the merits of asset-building policy – Individual Development Accounts (IDAs) as a wealth building tool that could someday lead to a major new system of individual savings accounts – beginning as early as birth. Thus, along with a new goal of helping low-income American families acquire assets came a new requirement. Achieving asset goals required that low-income people become successful savers. This meant successfully saving not merely their own money, but also earning a match. This match, while initially provided by philanthropy, was always seen by advocates as eventually coming from the government through a more equitable share in the tax system that rewards and structures savings. Gaining the "equitable share" of incentives through tax policies such as refundable tax credits for savings would be a momentous achievement that rivaled successful policies such as the Earned Income Tax Credit (EITC). Yet the goal of helping millions of working poor Americans become successful savers would also require the financial sector to assume an expanded role – bringing savings accounts, investments, mortgages, retirement accounts, and annuities to millions of Americans that had little prior connection to the industry. Not surprisingly, the "democratization" of savings and investing came with a consumer demand for financial products that were fairly priced, low risk, and yet structured to reward the tremendous effort of savings with smart investment design and tax matches. Thus the history of the asset building field has historically fought two battles – a battle for smart policies and smart products.

In the 1990s, the asset building field was fortunate that ideas by leading academics could be seized on by a powerful "think and do tank" – the Corporation for Enterprise Development (CFED). CFED helped bring a new group of philanthropic leaders and non-profit partners to the table. CFED became one of IDAs' earliest supporters, organizing national conferences, working to expand IDA programing in almost all 50 states, and providing technical assistance to most community IDA programs.[4] In 1997 a partnership between CFED, Washington University at St. Louis' Center for Social Development (CSD), and 11 funders launched the American Dream Demonstration (ADD), the first large-scale, nationwide IDA policy demonstration.[5] The American Dream Demonstration, running from 1997-2002, showed that low-income people, when given the proper incentives and supports, can and do save and for long-term goals. ADD rallied the asset-building field and inspired a growing moment of "believers" who understood that IDAs tapped into much broader goals and American ideals.

IDAs surpassed expectations, showing how diligent sacrificial saving, with matching money, surrounded by supportive institutions, helped people reach long-held goals and in the process raise their own economic expectations. Going beyond past innovations such as microfinance, which opened up credit and market expertise to low-income entrepreneurs, and beyond individual credit counseling and financial literacy instruction, IDAs offered structure, rewards, and the

[2] Michael Sherraden, *Assets and the Poor*, M.E. Sharpe, Inc: Armonk, NY, 1991.

[3] Melvin Oliver and Tom Shapiro, *Black Wealth/White Wealth*, Taylor & Francis, Inc: New York, NY, 1996.

[4] Michael Sherraden, "From Research to Policy: Lessons from Individual Development Accounts," Journal of Consumer Affairs, 34(2), 2000, pp. 159-181.

[5] *Ibid.*

sweet success of achieving goals that were deeply valued – long-term assets such as a home, education, business start, and/or retirement nest-egg.

The simple IDA tool offered a unique mixture of hard work, sacrifice, and matches. It was a virtual "platypus" of social change. IDAs appeared to do so many things well that rarely occur in a single intervention. With a few thousand dollars of matching money, low-income savers were reaching breakthroughs in saving for long-term asset goals such as down payments, funds for business assets, or funds to finance higher education. In addition, the very experience of owning assets, even when modest, was appearing to have positive attitudinal affects and even impacted the expectations of children in households with assets.[6] IDAs added value to the income earned from a job, which was especially critical to the many low-wage workers who had no benefits, and which on its own seemed to only offer a continuous struggle – the image of a hamster wheel. Thus IDAs showed the promise of matched savings that could help people achieve asset goals early in life. In brief, IDAs seemed to promise an important pathway to the middle class. This was cause for rethinking and inspiration. Philanthropic leaders were inspired by a vision of financial security that went beyond a focus on schools, jobs, and the family, and added assets as one of the missing necessary ingredients. Giving people a way to build assets, when combined with other efforts, seemed to be delivering lives of greater success, elevating financial goals, and allowing people to move forward and confront their own behavior without shame. IDAs thus became the epitome of "hand up" rather than "handout" social change.

The American Dream Demonstration brought IDAs to the national stage, setting a huge vision for broad account holding. Asset policy seemed to be the natural corollary in the dawning of the 21st century to what social insurance programs – Social Security and Medicare – were to the 20th century. IDAs shared the American social insurance system's framework of big systems that brought everybody in and asked everyone to make their contribution. Asset building also shared the characteristic of not being a handout – but rather a hand up that helped everyone without shame and blame. The early philanthropic experimentation allowed funders to dream big about a new generation of IDAs that would reach millions of workers and fulfill a vision of expanding the notion of matched savings to child accounts started at birth. Taken together, these asset building policies would touch nearly every American in two generations

While the battle is complex, the strongest argument that the asset field has is its clarity around the central vision to build savings and assets of millions of American consumers struggling to maintain a foothold in the middle class or to reach middle-class status.

From IDA Inspiration to an Action Plan for National Scale

The success of early IDA programs allowed funders and practitioners to contemplate a grand vision of a new national wealth-building strategy for the bottom half of American earners. The theory of change for moving from idea to scale was orderly and logical. It began with research and demonstration projects that would rigorously test and pilot the concept of matched savings. These findings would be shared with policymakers, and this would catalyze the policy change for matched savings. Once policy change happened and new laws governing accounts and matches were established, the financial industry would adapt to the new environment and manage the savings. Like all battle plans however, the reality of battle for savings was quite different.

The first irony was that policymakers did not wait for the research produced by funders. Barely had funders launched the American Dream Demonstration's IDA demonstration when the Clinton Administration launched its own IDA demonstration. The Clinton Administration's Assets for Independence Act (AFIA), Title IV of the Community Opportunities, Accountability, and Training and Educational Services Act of 1998, authorized the first direct federal funds for IDA demonstration projects, devoting $20 million in the President's budget to expand IDA demonstration

[6] Margaret Sherraden *et al.* "Saving in Low-Income Households: Evidence from Interviews with Participants in the American Dream Demonstration," Center for Social Development, Washington University in St. Louis, 2005; Trina Williams Shanks *et al.* "Assets and Child Well-Being in Developed Countries," Children and Youth Services Review, 32(11), 2010, pp. 1488-1496.

programs.[7] Other bills to extend IDAs appeared regularly before Congress, indicating a valuable shift in thinking, but not a major change to build permanent asset-building policy infrastructure.

Not only were policymakers not waiting for the research results of the foundation-supported demonstrations, but they were also taking different lessons from the anecdotal experience. Asset building's appeal across party lines was complicated by the adversarial end goals on each extreme. Progressives saw asset building via matched savings as a long overdue approach to wealth transfer from higher-earning taxpayers to lower-earning taxpayers. In this view, new accounts would be an addition to the social insurance wins of the 20th century. In contrast, some conservatives saw asset building as a way to increase personal responsibility and ultimately end or replace the social insurance programs and shrink the size of government. George W. Bush Administration's "ownership society" rhetoric promoted asset holding, but did not embrace public matching money as part of his vision. The Bush Administration's promotion of "private accounts" as a replacement for or carve out from Social Security also tainted the "accounts for all" vision of the asset building movement amongst some progressives.

In addition to the policy challenges, the practitioners and financial industry were also not following the script. Some non-profit practitioners who helped lead the IDA experimentation did not support expanding IDAs on a national scale. These advocates feared standardization of matched savings and delivery of accounts through financial institutions would lose the supportive services, coaching, and training that the smaller IDA programs provided. The financial industry was largely missed in the discussion of asset building. Aspen IFS founded one of the only financial industry-based, CEO-level advisory boards to dive deep into the question of savings policy for the country that reached low-income Americans. From 2004 to 2008, Aspen IFS organized banks and financial institutions, who expressed interest in the British model of private accounts for every child and new Individual Retirement Accounts (IRAs) for all Americans. But asset-building advocates lacked the timing, strength, and sophistication to position asset building goals such as matched savings and child accounts to the financial industry's bigger priorities in retirement policy. Thus, two landmark pieces of retirement legislation, the 2001 Economic Growth and Tax Relief Reconciliation Act (EGTRRA) and the 2006 Pension Protection Act (PPA), overlooked asset building for low-income savers.

While IDA research was not well timed to influence domestic policy in the US, it did influence asset-based policy on an international scale, inducing the British government's decision in 2005 to create Child Trust Funds, which endowed every newborn in the U.K. with a private investment account and starter contribution from the government.[8]

While the road to national scale has been messier and more complex than the theory of change would have predicted, there are clues from the past two decades for the vision that should guide the next two. In particular, the popularity of asset-building tools continues to draw support and allies who are rarely found together – for example, progressive advocates and the financial industry. In addition, the scale of asset building needs in the U.S. requires a more sophisticated campaign for support.

A Big Vision for Philanthropy: New Accounts, New Money

In many ways the "big vision" for the asset-building field has always hovered close to the earliest work. The name itself, "asset building," makes clear that the vision is one of building up tangible assets that have market value for millions of low- and moderate-income Americans. The early experimentation with IDAs placed an important tool at the center of this vision – the tool of a savings account in a formal financial institution with matching money to accelerate the buildup of funds within the account. The biggest challenge with this vision is that it is in fact big. Tens of millions of Americans are not only "unbanked" but are also without long-term savings that leads to asset building. This vision extends beyond the numbers of those who fall at or near the poverty line, and also includes a

[7] U.S. Department of Health and Human Services press release, "HHS Awards 'Assets for Independence' Grants," September 21, 1999.

[8] HM Revenue and Customs, *Child Trust Fund Statistical Report*, 2008; Jim Bennett *et al., The UK Child Trust Fund: A successful launch*, Institute for Public Policy Research and the Aspen Institute Initiative on Financial Security, June 2008.

next group of struggling middle-income workers who lack retirement accounts, long-term savings, home equity, or other sources of financial assets. While the U.S. savings and investment system theoretically offers tax-free savings through individual retirement accounts to all who desire, the barriers to begin and maintain these accounts are both structural (e.g. high minimum deposits, no tax incentive for those workers who do not have federal tax liabilities) and behavioral (desire does not produce action). What the asset-building field makes clear is that there has never been a serious investment of public dollars to incentivize the long-term saving and investment accounts of low-income Americans. The tax incentives that exist to reward and accelerate savings accrue to the higher earners who have the highest federal tax liabilities. Thus the asset-building field's "big vision" for the next two decades should remain to usher in new accounts and new money for low- and moderate-income Americans. The vision is one that aims at transforming the relationship that millions of lower-income Americans have with their money.

Stated simply, the big vision for philanthropy for the asset-building field in the next two decades is a vision for both new accounts and new money. The vision of new accounts and new money blends two distinct wings of the asset-building field that seek to advance comprehensive asset-building policies in America. The first is the wing of funder-supported work that has been focused on the policies and products that provide low-income people with access to safe, fair, and strong financial products. The "new account wing" supports as its theme that new accounts are needed to connect more Americans – particularly the unbanked and under-banked, who hold little if any wealth – to sound financial products and practices. The Asset Funders Network's "access" theme fits well into this vision to create new accounts. It is a vision that is not necessarily about new account structures, but rather creating new accountholders by expanding access and expanding who is part of the financial system. The second wing that is focused on "new money" is a tradition of funder-supported work that concentrates on advancing policies that promote savings equity in how we reward and grow wealth. This wing focuses on modifying the tax code to give the millions who are currently left out the benefits that they deserve. This wing focuses on the advancing contemporary policies that are in line with historic policies – such as the Homestead Act, the GI Bill, and the mortgage interest tax deduction – to build a middle class. In this tradition, the goal of asset building does not stop with making the tools of saving available, but rather it also insists on making sure the rewards of saving reach those of very modest means with the incentives and catalysts they need to be in the savings and investment system. These two parts of the vision – new accounts and new money – are an inspiring yet challenging goal for the asset-building field to pursue with the long view toward 2030.

A Vision for New Accounts

One of the guiding principles of the "accounts and access" wing of the asset-building field is the belief that the existing financial system works, but it needs to bend to include more Americans in a fair way. In this belief, advances in technology have paved the way for creative new avenues to achieve access to financial services that can change the way lower-income Americans can connect to the financial system. Demonstrations of this work include efforts such as Doorway 2 Dreams' (D2D) tax-time savings bond and prize-linked savings, and new companies such as Mango, Mint, HelloWallet, and SaveUp.[9] All of these efforts offer people access to the financial system and opportunities to build savings from their own wages. Importantly, the newly created Consumer Financial Protection Bureau (CFPB) is a huge leap for movement around financial access issues that asset funders have been sustaining for decades. Conducting rule making, supervision, and enforcement for federal consumer financial protection laws, the CFPB has generated a ripe moment for funders to support innovative institutions that can work with the Bureau. Now is the time to build these relationships that would emphasize to regulators the smart innovations that will make it easier for low-income people to manage and save their money. In the wake of the financial downturn and with the Occupy Wall Street movement fresh in everyone's mind, the climate is primed for a new code of ethics of practice that is fair to consumers. It is a logical moment to demand accounts that are fair in price, fair to understand, and built to deliver as advertised.

[9] Applications and websites such as Mint.com, HelloWallet.com, SaveUP.com, mangomoney.com, and prepaid cards offer Americans more opportunities to connect to, learn about, and evaluate financial products and services.

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The vision for new accounts sees the goal of building up savings as a kind of financial "cushion" that will function as a financial shock absorber in times of crisis. Using savings accounts as buffers has great appeal at a time of historic financial fragility not only for the poor but also for the middle class in America. D2D founder Peter Tufano led research showing that nearly half of all Americans said they could not come up with $2,000 in 30 days.[10] Given the widespread sense of financial fragility in the United States, it is no surprise that that asset-building field, with its focus on savings and asset building, fits many of the goals of seeking financial cushions. Savings and assets are what foster financial stability, making middle-class families less susceptible to financial shocks because of unforeseen developments, such as medical emergencies or job losses. For most middle-class families today, savings can mean the difference between a temporary setback and a plunge into poverty. Using savings as a shock absorber, a form of self-insurance, is crucial because, as Jacob Hacker writes, we live in an economy with more risk, our safety net is weaker, the incidence of income volatility is greater.[11] Families – especially low-income families – are experiencing great financial insecurity. Having a savings cushion helps families stay stronger in the inevitable crises. Pew research strengthens the case for savings cushions, demonstrating that cushions also shorten people's financial fall and help them get back to climbing the mobility ladder quicker.[12]

Yet savings account cushions are not a replacement social insurance system. Progressive funders need to be clear that with an interest in savings cushions, they do not abandon their interest in needing the wider social insurance programs or means-tested poverty programs. These funders do not want to return to the 19th and early 20th century America where there was only self-insurance and none of the broad gains the social insurance system from the 20th century that brought Social Security, Medicare, unemployment insurance, disability insurance, as well as a broader set of supports for children and families.

New savings accounts, no matter the balance size, would be an achievement for the asset-building movement. Having a savings account shifts minds and builds confidence. Getting people to save $2,000 cushions helps during financial disasters, allowing families to more quickly recover. The account balance is expressly for emergencies and belongs to the accountholder, thus there is no penalty for drawing it down if necessary, and the saver is not slammed with exorbitant interest rates that accompany many emergency loans.

Yet if funders stop at a vision that only includes access and accounts, then they will have made no demands on renovating the wider savings system. They will have only asked for policies and products that "smooth" people's own money and progress. It is clear that from the beginning, the asset-building field with its focus on matched savings was always seeking to do more than offer Americans the opportunity to engage in self-help. This is why the funder vision for the next 20 years should continue to include a vision for new money.

A Vision for New Money

In contrast to access to new accounts, a vision for new money requires government action to provide the funds that would match savings or jumpstart the savings habit. The current practice of asset building that rewards and incentivizes savings relies largely on philanthropic funds or government demonstration funds for this purpose. The long-term vision shifts this role to the public sector, and in most visions, to the federal tax code. Thus, new money involves a much bolder vision to help more Americans by matching their efforts to save with tax incentives that

[10] Annamaria Lusardi, Daniel J. Schneider, Peter Tufano, "Financially Fragile Households: Evidence and Implications," NBER Working Paper No. 17072, May 2011.

[11] Jacob Hacker, *The Great Risk Shift: The New Economic Insecurity and the Decline of the American Drean*, Oxford University Press: USA, 2008.

[12] Reid Cramer *et al.*, "A Penny Saved is Mobility Earned: Advancing Economic Mobility Through Savings," Economic Mobility Project, An Initiative of the Pew Charitable Trusts, November 2009.

grow their wealth. Asset-building tax incentives are already embedded in the tax code, in the form of existing tax expenditures largely around retirement savings, but a new money vision seeks to extend them to those who are currently missed and who would also benefit the most. A new money vision goes far beyond the new accounts vision by insuring that government funds directly reach savers in the bottom 50% of the income distribution, who have an average net worth of approximately $28,000.[13] If new accounts function as financial "cushions," new money transforms these accounts into asset "trampolines" by rapidly increasing account balances and insuring that the accounts lead to new forms of asset ownership such as retirement assets, home equity, college savings, and other forms of long-term savings and investments.

Given the importance of new money to the 2030 vision, it is important to establish the relative scale of what is meant by new money. Two key policies introduced in various legislation over the last decade give us a clear picture of the new money goals – child accounts and individual retirement accounts with refundable tax credits for retirement saving. The child account vision of providing $500 to every child born in the United States is a vision that is well known to funders in the asset building field and stems from the early thinking of scholars such as Michael Sherraden. The SEED Demonstration tested the concept of matched savings for children in 12 sites in the U.S. and Puerto Rico.[14] As proposed in the U.S. by numerous legislators, child accounts provide a vehicle to start smart savings policy from an early age and take advantage of compounding over time. From birth, every child would have an investment account initially funded through a modest government contribution. Contributions from family and friends, along with investment earnings, would help accounts grow. Matching contributions for low-income children would reward low-income families for investing in a child's future. These accounts would be universal and simple, with limited, basic investment choices and no withdrawals for 18 years. Child accounts would cost approximately $2 billion annually.

The retirement savings program proposed by President Obama would provide Automatic IRAs to the half of the American workforce, disproportionately low-income workers, who have no access to workplace savings plans. Employers who do not offer workplace savings plans would be required to use their payroll deduction system to offer their employees access to automatically deduct a portion of their salaries and invest it in IRAs. In 2010 the Obama administration also proposed accompanying the Automatic IRAs with a 50% matching tax credit on retirement savings up to a limit of $500 per couple. Together the Automatic IRA and expanded Saver's Credit were estimated to cost approximately $6 billion per year, or $60 billion over 10 years.[15] In a move to make clear the new money vision, Aspen IFS has called for an updated expanded Saver's Credit, or *Freedom Savings Credit*, that would create a more equitable and economically efficient savings system, depositing refundable matching credits directly into qualified savings accounts.[16]

What is exciting about child accounts and matched retirement savings is that these new money policies would fundamentally transform the wealth-building game in America. Together, they would particularly be game changing for millions of low- and moderate-income Americans. Depending on contributions and matches, a child account can grow to be worth $50,000 after 18 years, and a new Automatic IRA coupled with the *Freedom Savings Credit* can reach $150,000 over 30 years with weekly savings of $13.[17]

[13] Values updated from computations using the 2004 Survey of Consumer Finance data, which found that the bottom 50 percent of households (ranked by net worth) in 2004 had an average net worth of just $23,000. Eugene Steuerle and Sisi Zhang of the Urban Institute updated data using the 2007 Survey of Consumer Finance. Steuerle and Zhang computed that the bottom 50 percent of households had a mean net worth of $28,370 (undeflated, in 2007 dollars), or $23,160 in 2004 dollars. *See* Suzanne Nora Johnson, Lisa Mensah, and Eugene Steuerle, *Savings in America: Building Opportunities for All,* Goldman Sachs and the Aspen Institute Initiative on Financial Security, Spring 2006, p. 13.

[14] Carl Rist and Robert Friedman, "Children's Savings Accounts and the Save and Invest Economy," CFED and SEED community partner sites, 2010.

[15] *General Explanations of the Administration's Fiscal Year 2010 Revenue Proposals,* Department of the Treasury, May 2009, p. 128.

[16] Lisa Mensah *et al.*, "The Freedom Savings Credit: A Practical Step to Build Americans' Household Balance Sheets," The Aspen Institute Initiative on Financial Security, February 2012.

[17] Lisa Mensah, Pamela Perun, and Elena Chávez Quezada, "The Case for Child Accounts", The Aspen Institute Initiative on Financial Security, 2007; Lewis Mandell, "Real Savings+: A Safer, Simpler Alternative to Target Date Funds," The Aspen Institute Initiative on Financial Security, 2011.

Yet federal asset policies for new money require new money on substantial scale. Child accounts would cost approximately $2 billion annually to administer. Enacting matched savings for adults saving in qualified accounts, the *Freedom Savings Credit* would cost approximately $3 billion annually. Together, these 10 year budget items of $50 billion are not small and are difficult to hide during a time of budgetary austerity making the case for new money difficult. It was hard to make during the Clinton years, while the nation enjoyed a surplus, and it is harder still in the Obama era that faces massive deficits.

President Clinton first proposed Universal Savings Accounts (USAs) in 1999, as a second tier "add on" to Social Security. It would have been the largest anti-poverty initiative since the Earned Income Tax Credit and came very close to meeting an asset-building goal of new accounts and new money.[18] During the Bush years, conservative opposition to "new entitlements," coupled with financial institutions' skepticism that new money would bring new regulation and far more intrusion into the wealth management business, encumbered the asset-building fight. The same financial institution skepticism persists during the Obama era, but the national deficit dominates in all conversations. In the past, policy ideas gained credibility by suggesting a "pay for" – the pot of existing money it would use to a revenue neutral or deficit reducing policy. Now when deficit debates dominate and even identifying "loopholes" is considered against the "no new revenue" ideology, the case for new money is extremely hard.

If new accounts function as financial "cushions," new money transforms these accounts into asset "trampolines"... insuring that the accounts lead to new forms of asset ownership...

Yet the difficulty of the task does not determine its worth. While the case for new money to build the vast majority of Americans' assets is hard, it is an essential part of the 2030 vision for the asset-building field and therefore worthy of foundation efforts. It is also the case that at a potential time of major tax reform when both revenue and expenditures are "on the table", there is a rare and important window for strategic allies of asset-building field to make a clear demand for new money. Finding $5 billion of annual support for asset-building policies when trillions of revenues and cuts are on the table makes the asset-building vision possible. Additionally, tax reform policies are likely to politically need new investments in our future and opportunities for struggling Americans. It is hard to imagine politically delivering a major tax reform that is all bitter pills. Asset-building policies have the recipe to become popular consensus "sweeteners" that offer something for everyone but support behaviors that lead to economic growth and individual self-sufficiency.

What Actions Does This Now Inform? A 2020-2030 Plan

To achieve the bold vision of new accounts and new money requires a plan for both the work that must be done in the medium term – a 2020 vision for the next 8 years – as well for the long term – the 2030 vision that will take us through the next two decades. There is a need for fresh thinking around a battle plan that will involve the critical investment of funders committed to asset building through both the medium and long term.

The priority for the medium term should be grant making that keeps the policy agenda strong while supporting local asset-building work that is strategically linked to a larger vision for new accounts and new money. Even for funders who can only work locally with small grants, it would be powerful to see those grants made in a way that generated new and perhaps unusual allies for the theme of new accounts and new money. Thus grants that involve matched savings efforts that can capture the attention of policymakers and financial leaders will continue to be important. In the fight for new accounts, the medium-term grant-making agenda should be to sustain the gains that have been made in access and new accounts. To have a brand new agency focused on the protection of consumers and their money would have been unthinkable a decade ago. This is a time to stay vigilant in giving legitimacy to this kind of work accounts and access. Consumer financial protection that helps Americans manage debt and build assets is a powerful goal that has a strong connection to the core work that asset-building funders have sustained for the last two decades.

[18] *See* footnote 4 *supra*, Sherraden.

Funders should not assume that the policy successes in establishing a new agency mean that their work is done. This is especially true since the new Consumer Financial Protection Bureau has powerful opponents. Funders should be prepared to celebrate and sustain gains in access and new accounts, and simultaneously stay bold in the battle for savings equity and new money.

At the policy level, thoughtful grant making should help lay the groundwork for the hard fight for new public dollars to be invested in matched savings. If funders do not stay focused on the cause of "new money" even when tax policy during massive deficits makes this difficult, it is hard to see how momentum could be maintained for a time when national budgets are not as tight and government funds are more plentiful. The asset-building field has placed a new priority on the national stage – the priority to reward the savings of those who earn less on a par with those who earn much more.

The funders of the asset-building field are providing the only serious fuel to keep this powerful goal on the table. It is not an overstatement to conclude that funders understand more than policymakers about why the asset-building approach has been so important to changing the lives of those at the bottom of America's ladder of opportunity. It is funders who have seen successful programs and who talk with adults and children whose lives have been transformed by the combination of new accounts and new money. This is breakthrough work that funders have made possible, and they should not abandon it because the policy environment is bleak and rocky.

It is, on the contrary, time to take a metaphorical deep breath and press on because there is no other group of supporters in the public or private sectors who are ready to take up the cause. Without entering into territory of direct lobbying, funders can provide critical support to efforts to communicate and amplify the legitimacy of "savings equity." Funders can support a variety of efforts that acknowledge the merits and the morality of making the case for matched savings such as the proposed *Freedom Savings Credit* for matching the retirement savings of low- and middle-income earners. Funders should also seek to acknowledge as much as they can about the challenges posed by U.S. tax reform. Few American leaders in philanthropy bring experience in fighting for substantial tax benefits – a fight that is different than maintaining or advancing other discretionary spending that is part of domestic policy. The last major reform of the U.S. tax code occurred in 1986, and the experts that understand the nuances of these battles are few but certainly within reach to educate funders. Yet funders should certainly anticipate that the established wisdom and expertise around tax policy will largely be pessimistic about what can be accomplished in tax reform for the benefit of low- and moderate-income Americans. Established wisdom will always predict that the status quo will remain and that those with the most political power will win. The question that asset-building funders must ask is how to succeed when the prognosis is difficult? Additionally, funders should ask is whether there is a battle plan that makes sense for a tax policy victory for new money that can be borrowed from other success stories?

One recent success that should be studied for its relevance is the success at achieving universal health care coverage. The battle plan for health care reveals an element that is not robust in current asset-building efforts to achieve new accounts and new money, namely a heavy investment in grassroots advocacy along with respectable investment in national policy, advocacy, and communications pushes. Richard Kirsch, National Campaign Manager for Health Care for America Now, summed up funders' indispensable contribution to passing national health care policy:

> Another important lesson was the role that philanthropy played in building HCAN (Health Care for America Now). The Atlantic Philanthropies decided to invest in us because we were founded and backed by labor and community organizations. The foundation provided HCAN with the kind of substantial funding that allowed us to carry on a robust field campaign in more than forty states. If Atlantic, along with The California Endowment, had provided a much lower level of funding – or decided to favor policy, advocacy and communications work rather than campaign-style organizing, as is so often done by foundations – health reform would have failed.[19]

[19] Richard Kirsch, *Fighting for Our Health: The Epic Battle to Make Health Care a Right in the United States*, The Rockefeller Institute Press: Albany, NY, 2011.

The call for new health care policy resonated with average Americans because it was argued as a right. It is fair to ask whether a campaign could be organized around a fight for "savings equity." Does the cause of getting a "fair share" of tax benefits for the majority of Americans who are left out of current tax benefits resonate now post the Great Recession and the Occupy Wall Street movement? This is a certainly a question worth pursuing. Funders should be prepared to support a dialogue that honestly describes the difficulty and dimension of the asset-building fight and should be aware that seeking new money to build assets during a time with massive deficits is going to bring powerful opposition. If funders are committed to a long-term vision of new accounts and new money, it would be import to give more consideration to the need to invest in supporting sophisticated grassroots advocacy with experienced advocates. It would also be important to engage with funders and leaders of similar fights, such as Atlantic Philanthropies, the Soros funded Open Society Institute (OSI), and Arcas Foundation to learn from their tactical experience.

An expanded effort to look into the battle plans of recent success stories should not overlook the corresponding need to consider what else could be done not only at the "grass roots" but also at the "grass tops." Traditionally, the asset-building field has nurtured a number of programs working on national policy and communications to keep the asset-building vision of new accounts and new money alive and has given it serious attention amongst national policy audiences. These efforts will be critical especially in a potential tax battle. There is a great need to find and support allies within the Administration and Congress who see the value in the bold vision of new accounts and new money. Investing in the organizations that excel in keeping the policy allies of asset building mindful of their commitments and the importance of the work will continue to be vital.

What stands out about the aim to build financial security in America is that the long-term vision is sound. It is an inspiring vision to imagine waking up in an America in 2030 where we have achieved the new accounts and new money that will massively shift asset holding in America. It is inspiring to imagine what will have been accomplished over the next 20 years through a partnership between American philanthropy, private efforts, and public policy. It is a bold vision to see a new generation of savers and investors, including children and working poor, participating in the financial system in a way that gives them real value. It is a vision that doesn't depart from America's traditions of market capital, but rather builds on-ramps into that system that makes the opportunity for economic and financial security real.

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