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HIGH STAKES HIGH REWARD

HOW ALL FUNDERS CAN MAKE CRITICAL, CATALYTIC CONTRIBUTIONS TO INVESTING IN THE FINANCIAL SECURITY OF YOUTH AND YOUNG ADULTS.

ACKNOWLEDGMENTS

AUTHORS

GENEVIEVE MELFORD
Managing Director, Aspen Institute
Financial Security Program

JOANNA SMITH-RAMANI
Co-Executive Director, Aspen Institute
Financial Security Program

The Aspen Institute Financial Security Program's (FSP) mission is to illuminate and solve the most critical financial challenges facing American households and to make financial security for all a top national priority.

BIANCA LOPEZ
Research Associate, Aspen Institute
Financial Security Program

TIM SHAW
Policy Director, Aspen Institute
Financial Security Program

EDITORS

KAREN MURRELL
Program Manager, Asset Funders Network

ANNIKA LITTLE
Deputy Director, Asset Funders Network

JENNIFER FARLAND
Communications Director, Asset Funders Network

DATA AND CONTENT CONTRIBUTORS AND ADVISORS

DYONICIA BROWN
Deputy Executive Director, Young Invincibles

MATTHEW ECKEL
Director of Policy & Research, Young Invincibles

AURORA HARRIS
Southern Regional Director, Young Invincibles

MIKE SWIGERT
Senior Program Manager, Youth Employment,
Aspen Institute Forum for Community Solutions

RESEARCH CONTRIBUTORS

RACHEL BLACK
Associate Director, Insights and Evidence,
Aspen Institute Financial Security Program

RIANI CARR
Senior Research Coordinator, Aspen Institute
Financial Security Program

SHEIDA ELMI
Senior Research Manager, Aspen Institute
Financial Security Program

STAKEHOLDER REVIEWERS

JENNIFER COBB
Youth Advisory Board Member, Young Invincibles

ESME LEDEZMA
Youth Advisory Board Member, Young Invincibles

KEY INFORMANTS

Grateful acknowledgement of the young adults and professional experts who informed this brief via interviews and focus groups can be found in Appendix A.

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TABLE OF CONTENTS

INTRODUCTION: YOUNG ADULTHOOD IS A HIGH STAKES, HIGH POTENTIAL, TIME OF LIFE

Young adulthood[1] is a brief, transitional, and high potential time of life. There are no inherent deficiencies in young people. Rather, they need and deserve opportunities to learn and grow. This requires that young people have the financial stability to engage in opportunities to pursue educational and career goals, and the support, guidance, and freedom to explore that can set them up for success, including financial well-being, in later adulthood. All young people deserve to be set up for success.

The stakes are high for all of us. If youth and young adults do not receive access to the supports and opportunities that all young people need to grow into thriving adults, their paths will diverge in ways that are both significant and costly—for young people, their families and communities, and the prosperity, social cohesion, and democratic health of our country. For example, research from McKinsey & Company finds that racial wealth inequality costs the US economy between $2 and $3 trillion of investment and consumption.[1] This degree of economic exclusion also sidelines talent, undermines social inclusion[2] and depresses political participation and civic engagement.[3]

Some youth and young adults in the United States, due to the private wealth and resources of their families and the policies and practices that have allowed their families to gain private wealth, have secure access to the foundations of financial well-being—financial stability, opportunity pathways, financial capability, and support and guidance—and are therefore thriving.

However, at least half of young people in the United States do not have secure access to these resources and opportunities,[4] especially those from non-wealthy families, young people of color, and young parents.

Providing the necessary underpinnings of financial security for all young people in America will require commitment and action from diverse sectors and stakeholders, ultimately with significant government support, as it will cost more than private philanthropy alone can sustain. But this committed action will pay significant dividends, with positive multiplier effects in both economic and social areas of American life.

Financial circumstances and opportunity structures in youth drive health outcomes over the life course

- **Economic stability is one of the five social determinants of health** (the nonmedical factors that influence health outcomes).*
- The **strongest determinants of adolescent health worldwide are structural factors** such as national wealth, income inequality, and access to education.**
- Health and health behaviors are **strongly correlated from adolescence into adult life.****
- "Nations present young people with structures of opportunity as they grow up…[T]he way that these **social determinants affect adolescent health are crucial to the health of the whole population** and the economic development of nations." **

* U.S. Department of Health and Human Services, Healthy People 2030. *https://health.gov/healthypeople/priority-areas/social-determinants-health*
** Viner RM, Ozer EM, Denny S, Marmot M, Resnick M, Fatusi A, Currie C. Adolescence and the social determinants of health. Lancet. 2012 Apr 28;379(9826):1641-52.

[1] *In this brief we use the terms "young adults," "youth," and "young people" interchangeably. We are generally referring to people aged approximately 16-25, though some data sources use slightly different age ranges*

Philanthropy can make critical, catalytic contributions toward this whole-of-society approach by making strategic investments in: (1) pilots and practice paired with learning, (2) initiatives that are resourced sufficiently for partners across sectors to work together, and (3) human capital investments that allow government to innovate and pay attention to important societal and system needs.

To support movement toward a country where all young people can thrive, this brief provides:

- An explanation of what financial security means for youth and young adults and what allows them to experience it now and in later adulthood.
- An analysis of the state of young adults' financial well-being today and barriers to it.
- A vision for what it will take to provide the necessary foundations of financial well-being for all young adults and the policy solutions that could move the needle.
- High impact recommendations for philanthropy to catalyze a whole-of-society approach to investing in young people.

The solutions are known and ready for the taking. What is needed is leadership and collaboration across philanthropy to invest courageously in youth and young adults.

Methodology

This brief synthesizes three strands of research activities exploring the financial security of young adults in the United States, and opportunities to support young people at scale:

1. **Desktop review** of existing research, data sources, and program and policy documentation;
2. **Key informant interviews** and consultation with diverse experts from organizations around the country working on different aspects of youth and young adult well-being, and
3. **Focus groups with young adults**[72] and input from young leaders participating in Young Invincibles' Young Advocates Program.[73]

Grateful acknowledgement of the experts who informed our thinking can be found in Appendix A.

UNDERSTANDING YOUNG ADULT FINANCIAL SECURITY AND WHAT ENABLES IT

FINANCIAL SECURITY MEANS HAVING A FINANCIAL SITUATION THAT PROVIDES SECURITY WAND FREEDOM OF CHOICE.

While young adults have life-stage specific needs, our research finds that financial security and well-being[2] mean the same things to them that they do to all U.S. adults.[5] Namely, that their financial situation provides them with the ability to **comfortably pay their bills, feel secure in their financial future, and be able to make choices that allow them to enjoy life.** [6] [7]

As with all adults,[8] the specifics of what young adults want secure finances to enable in their lives are varied and personal, depending on individual preferences, their communities, and contexts. Many want a better future for themselves, their children,[9] their families, and their communities. Focus group participants shared with us some of their own specific goals, including having jobs and careers with meaning and livable wages, starting their own businesses, having free time when they want it, not having to work 12 hours a day to afford basic needs, buying a home, and providing for their children and siblings.

[“Financial security] feels like being comfortable and free—looks like just being able to pay all debts and bills on time and ahead of time, luxury of going out to eat and having a fun time.”

— Focus group participant

Themes of **comfort, choice, freedom, agency and control, lack of financial stress and worry, and the ability to pursue one’s specific goals** - whatever they may be, came through strongly in both the focus groups and key informant interviews when discussing what financial security means to young adults.

[“Financial security means to me that] I have made money and used it to invest in other things that will bring me money in the future and bring my kids money.”

— Focus group participant

In summary, financial security is a state of being. It is what a person experiences when their financial situation provides them with security and freedom of choice. As such, it is a “north star,” the ultimate intended outcome of many types of financial security and economic mobility programs and policies.

FOUNDATIONS OF FINANCIAL WELL-BEING: FOUR MUTUALLY REINFORCING CONDITIONS SUPPORT YOUNG ADULT FINANCIAL SECURITY

To support youth serving organizations, funders, and policymakers in their work to advance the economic success of young people, Aspen FSP has developed a model of what youth and young adults need to have in their lives to experience financial security and to be on track for economic success at age 25 and beyond. To do this we drew on Aspen FSP’s own work on the pillars of household financial security[10] and related literature,[11] research on the specific developmental stage needs of youth and young adults,[12] publications describing the preferences, needs, and perspectives of young people,[13] and thematic analysis of the key informant interviews and focus groups we conducted. This resulted in a new model of youth financial security that dovetails with established models of adult financial well-being, but accounts for the specific needs of young people during a relatively brief, transitional, and high potential period of their lives.[14]

[2] *Aspen FSP has adopted as our definition of financial security the U.S. Consumer Financial Protection Bureau (CFPB)’s definition of financial well-being. As such, we use the two terms interchangeably.*

What we found is that youth and young adults need four, mutually reinforcing, conditions to experience financial well-being and to be on track for financial security and economic success at age 25 and beyond.

Young adults need four, mutually reinforcing, conditions to experience financial well-being and to be on track for financial security and economic success at age 25 and beyond. **All four conditions are needed, none are sufficient on their own, and they interact with and reinforce each other in critical ways.**

1. **Financial stability.** As it is for all adults, financial stability is a critical foundation for young adult financial well-being. Financial stability means having enough of a financial cushion, broadly defined, to cope with everyday financial shocks, while still progressing towards financial goals.[15] It is characterized by having income (from any source, such as labor income, living stipends or other forms of guaranteed income, or capital income) that exceeds the cost of living for young adults and their families, low or no harmful debt, and access to affordable, quality housing, child care, health care, transportation, and other basic needs. Other kinds of financial cushions that bolster financial stability include liquid savings, access to high quality credit, strong social networks,[16] and quality public and private benefits.[17]

2. **Opportunity pathways.** Because youth and young adults are just at the beginning of their years of financial independence and bridging from adolescence to adulthood, on-ramps to adult careers and earning potential are key. These include access to affordable and effective post-secondary educational and training opportunities, as well as labor market on-ramps that will lead to stable and sufficient income throughout adulthood. Furthermore, to be able to engage in meaningful wealth building activities throughout adulthood, young adults also need access to investible sums of money that they can use to purchase assets or make other investments in economic mobility.[18]

   A critical aspect of meaningful access to opportunity pathways is for young people to have the financial support and stability—as the children of higher income, higher wealth families typically do—to be able to devote sufficient time to participating in and completing their education, training, or other personal development activities. Youth and young adulthood is a time of life when people need to be able to invest in themselves and their own development. Having to work long hours at a low wage job to financially support oneself and one's family is usually incompatible with having the time to successfully attend full time school or training, especially for people with caregiving responsibilities.

   A final element of meaningful opportunity pathways is that for young people's hard work and investment in their own education, training, and development to result in economic success, they need access to labor market opportunities with good pay, benefits, and meaningful opportunities for career advancement. In other words, earning a good wage requires both personal skills ***and*** the existence of and actually getting hired into quality jobs in which to deploy one's skills.

3. **Financial capability.** Alongside structural access to financial stability and opportunity pathways, young people need the knowledge, skills, confidence, habits, and access to consumer-friendly financial products and services, to manage their day-to-day finances and navigate important, age appropriate, and personally relevant financial decisions, in service of their life goals. Researchers have found that adults with higher levels of financial capability (and financial well-being) have a money management style characterized by planning ahead, having a habit of saving regularly, spending less than their income, and maintaining a manageable debt load.[19]

The personal characteristics (i.e. know-how and confidence) that, along with inclusive financial systems,[20] comprise financial capability, stem from three interlocking components of youth development: executive functioning, financial habits and norms, and financial knowledge and decision-making skills. With age-appropriate opportunities and guidance, children begin acquiring these building blocks of financial capability as early as preschool and continue to develop them as teens and young adults.[21] Financial capability experts cite peer learning groups as a particularly useful form of financial capability support for teens, and financial coaching as an effective model for young adults. They also note that financial capability interventions are most effective when young people have meaningful financial resources to manage, which is why they are increasingly delivered alongside employment and guaranteed income programs.[22]

4. **Support and guidance.** Because youth and young adults are at a unique developmental moment, they also have a critical need–and desire–for support, guidance, and mentoring from caring adults and peers. This is a learning time of life, and young people need both ***personally specific supports***–such as mental health services, support services for young parents, and education, career, financial and benefits system advising and navigation supports, and ***developmentally appropriate approaches to learning***, such as scaffolding, coaching, and low-risk experiential learning. Because youth and young adulthood involve intense exploration, experimentation, and self-discovery, young people also highly value leadership and personal development opportunities, including the opportunity to advocate for themselves.[23]

These four, interlocking supports of youth and young adult financial well-being are summarized in Figure 1.

Learn more about youth financial capability

Information on youth and young adult financial capability competencies and needs, as well as effective strategies to support teens and young adults, is available from the Consumer Financial Protection Bureau in their report *"Building Blocks to Help Youth Achieve Financial Capability: A new model and recommendations."*

Information on the features of youth-friendly bank accounts is available from MyPath in their *National Youth Banking Standards.* These standards were designed by MyPAth to effectively engage youth employment program participants in banking and saving.

Young people say they need support and guidance to achieve economic success

LEAP Fellows' views on some of what young people need to achieve economic success:

- "Having support from adults and peers to hear and get support and ideas for how to stay on track financially."
- Support from other[s] to build an understanding of process - concrete tasks to help understand the stepping stones and demystifying them."
- "Relationship-based supports, where you are treated like a human and reassured."

Four Mutually Reinforcing Conditions Support Young Adult Financial Security

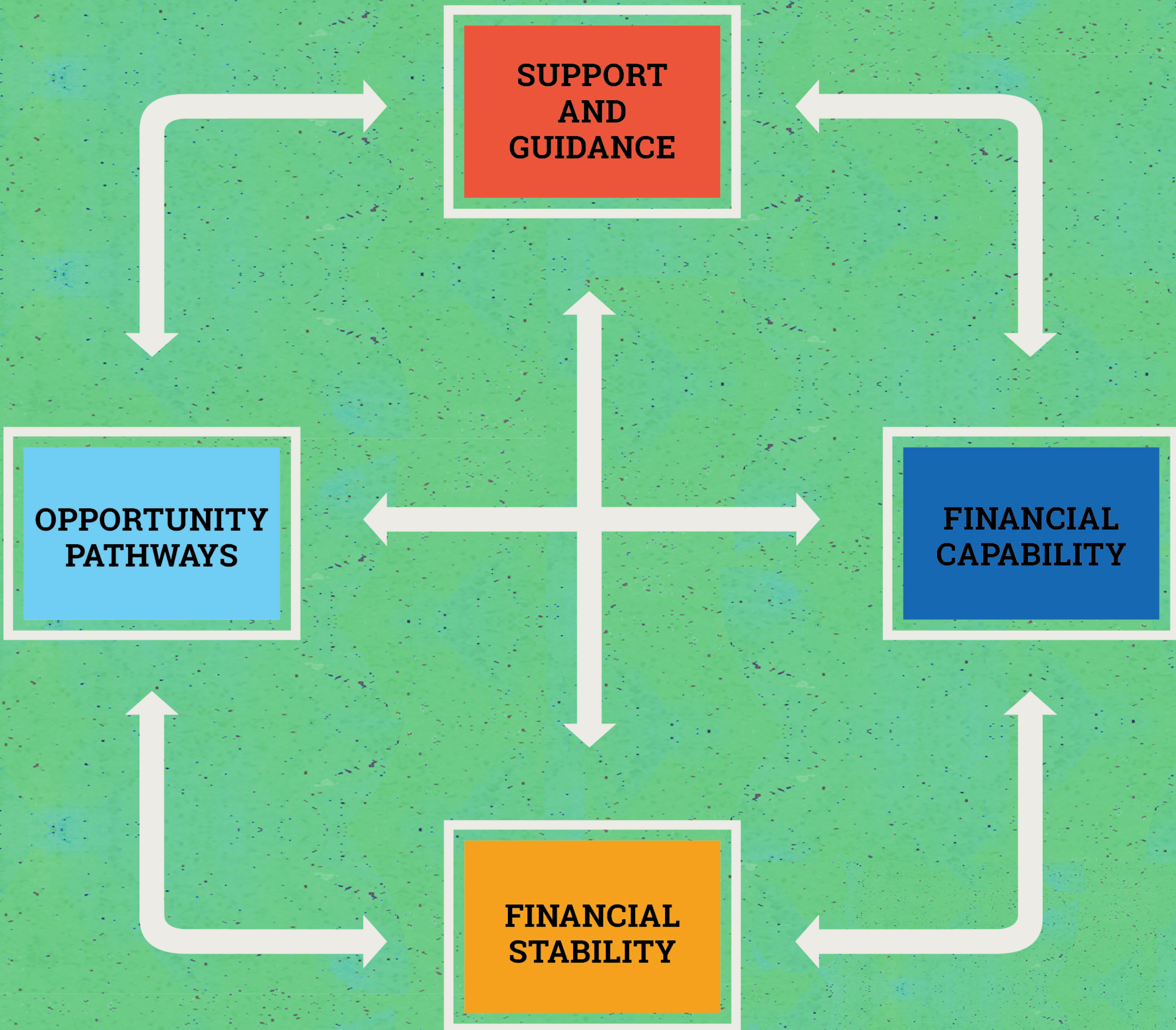


Figure 1: Four mutually reinforcing conditions support young adult financial security

MAJOR BARRIERS TO FINANCIAL SECURITY FOR YOUTH AND YOUNG ADULTS

MOST YOUNG ADULTS IN AMERICA DO NOT HAVE SECURE ACCESS TO FINANCIAL SECURITY, OR TO THE CONDITIONS THAT SUPPORT IT.

Young adults tend to be less financially secure than their older counterparts.[24] This is partially due to lifecycle factors such as people earning lower incomes and having amassed less wealth earlier in life. But is also due to U.S. economic trends and policy choices - such as reduced public investment in post-secondary education and homeownership opportunities, and the declining real value of wages and workplace benefits–that provide fewer wealth-building supports for each successive generation.[25] At least half of young people in the United States today do not even have financial stability,[26] which –as described in the previous section–is a critical foundational condition for being able to invest in oneself, gain economic mobility, and actively build wealth over the life course. Using a more holistic measure of financial security, an even smaller percentage of young adults (24%) can be considered financially healthy.[27 28]

As a result of these economic trends and policy choices, the majority of US households–not just those headed by young adults–are not financially secure today. The most basic reason for this is the mismatch between the labor income that most U.S. workers can earn–which has been stagnant for decades–and the cost of living and basic needs such as housing, family care, medical care, and higher education, which has been rising for decades.[29] While it may therefore stand to reason that most young adults are not financially secure, this situation has urgently harmful implications for the well-being of young people, as well as the future of the U.S. economy, our social contract, and democracy.

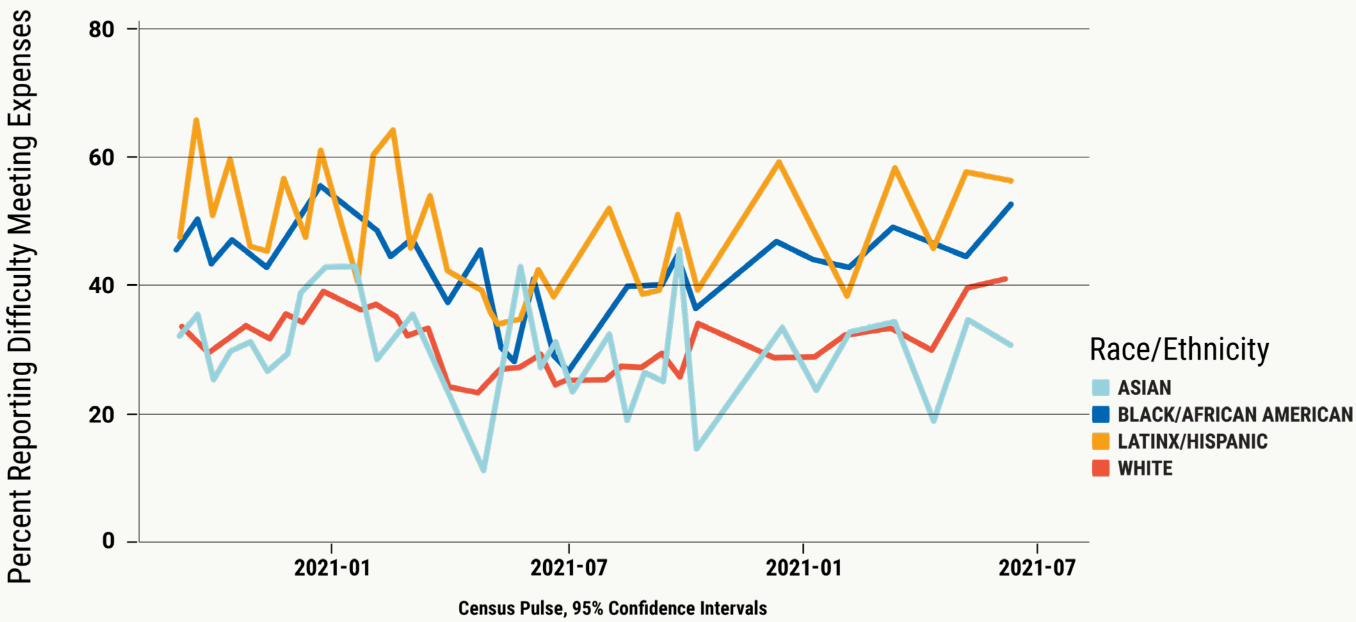
Additionally, finances are substantially less secure for Black, Latinx, and Native American households of every adult generation than for their white counterparts.[30] Due to historic and ongoing structural racism including enslavement; land theft and genocide; exclusion from public investments, support systems, and wealth building opportunities and systems;[31] and disproportionate involvement with the criminal justice system; households of color have lower income, less wealth, and less access to public and workplace benefits and support than their white counterparts, and are more likely to be fined and charged fees by government systems.[32] One implication of this is that youth and young adults of color come from families who tend to have fewer financial resources to support them during their transition to adulthood,[33] and who the young person may need to contribute to supporting financially.[34] The result of all these factors is that **most youth and young adults from non-wealthy families and young people of color do not have secure access to the foundations of financial well-being and face significant immediate and structural barriers to achieving financial security**.[35] These barriers include limited opportunity and support provided by government and the private sector, and parents and communities with fewer financial resources to support them.

LACK OF BASIC FINANCIAL STABILITY IS THE MOST URGENT AND FUNDAMENTAL BARRIER TO FINANCIAL SECURITY FOR YOUNG ADULTS.

While youth and young adults from non-wealthy families need all the same foundations of financial well-being – financial stability, opportunity pathways, financial capability, and developmentally appropriate support and guidance – that all young people do, our research suggests that overall, they do not have secure access to these foundations and face a number of both immediate and structural barriers to the support that all young people need.

Above all else, the most frequently, urgently, and foundationally cited barriers to young adult financial security in FSP's research related to basic financial stability. Specifically, young adults having insufficient income from any source, including jobs, benefits, and income support programs, and insufficient access to affordable basic needs including housing, health care, and, for parents, child care. Recent census data bear this out, with 18–25-year-olds reporting consistent difficulties paying for core expenses.

Figure 2: 18-25-year-olds report consistent difficulties meeting core expenses



Source: *Young Invincibles' analysis of the Census Household Pulse Survey data, weeks 13-46.**

*Percentage of respondents who answered "very" or "somewhat" to the question, ""In the last 7 days, how difficult has it been for your household to pay for usual household expenses, including but not limited to food, rent or mortgage, car payments, medical expenses, student loans, and so on?"

LACK OF FINANCIAL STABILITY IS ALSO A MAJOR BARRIER TO OPPORTUNITY PATHWAYS

This lack of financial stability available to young adults prevents both well-being in the present and meaningful access to the opportunity pathways that are necessary foundations for financial security in later adulthood. It deprives young people of the money and time to fully engage in and complete education, training, and other on-ramps to higher earning potential.

Youth workforce program leaders note that a lack of financial stability results in young people of color from low-income families being effectively excluded from workforce programs. Instead, workforce programs tend to favor instead white candidates from more advantaged educational and financial backgrounds, whose families have the resources to support them while they go through the program. And other interviewees described how a lack of financial resources to sustain young people, and in many cases to support their families, prevents them from attending and completing post-secondary education.

Lack of financial stability impedes career pathways

"Very often [young people experiencing education and employment disconnection] do not have access to post-secondary [education] in the same ways [compared to their connected/well-resourced counterparts] ... [For example], not having enough financial aid and not having…the additional income to pay out-of-[pocket] costs [and] fees that are associated with education…

And we know post-secondary credentials are tied to improved economic outcomes for our young people, including high wages, home ownership, community buy-in, and generational wealth."

MICHELE SEYMOUR
NEW ORLEANS YOUTH ALLIANCE

These perspectives were further bolstered by responses to a recent survey of opportunity youth-serving organizations and collaboratives around the country,[36] in which the vast majority of respondents agreed that a lack of financial stability is a barrier for young people to successfully participate in education pathways (93%) and employment pathways (82%), and that most employment pathways do not offer sufficient financial support for young people to focus on their participation without the need to prioritize other income-generating activities (72%).[37]

ANOTHER MAJOR BARRIER TO OPPORTUNITY PATHWAYS IS THE COST OF POST-SECONDARY EDUCATION

Within our current macroeconomic context, higher earning, higher net worth, and more educated households stand the best shot at financial security. But obtaining the educational credentials necessary to secure a higher earning job now comes at a very high cost for the vast majority of young people. For example, in 1975, Pell Grants covered almost 80% of a student's total costs of post-secondary attendance. Today, Pell Grants cover just under 30% of the cost of attendance.[38] Likewise, in 1975, the total cost of a year of attendance at a 4-year post-secondary institution represented approximately 17% of median household income at the time, while by 2020 it had grown to cost 43% of annual income for a typical household,[39] financially burdening today's students much more than for prior generations.

And for those without the family wealth to pay for education without taking on debt, paying for college adds the additional financial burden of long-term debt and the drag that debt payments put on household cash flows.[40] In particular, Black and Latinx student loan borrowers are significantly more likely to struggle to repay student loan debt than their white counterparts, being more likely to be behind on payments and to default on student loans, and significantly less likely to have paid off their student loans by age 40.[41]

As a result, many young people–including some interviewed for this project–do not see costly post-secondary education as a wise or viable investment in their financial futures, especially when they do not perceive the earnings boost associated with post-secondary education to be commensurate with the cost, and long-term financial burden in the form of student loan debt, of degree attainment.[42]

LACK OF FINANCIAL, EDUCATIONAL, AND CAREER ADVISING AND MENTORING IS ALSO A BARRIER TO YOUNG ADULT FINANCIAL SECURITY

A final theme that ran through our interviews, expert consultations, and focus groups was the barrier to financial security presented by the lack of exposure many young people have to certain kinds of financial know-how from family or school – which young people find very disempowering, and insufficient access to financial and career advising, mentoring, and navigation support. Young people would like more access to these kinds of support in general, and especially from relatable members of young people's own communities or people with similar backgrounds to them.

Lack of navigation support can be financially—and personally—devastating

“Returning to school [after the death of a parent left me orphaned]…I was hopeful there would be programs and scholarships that served someone in my position and [I] expected my [financial aid] counselor to help me navigate that process. Instead, in my first and only meeting with her, I felt accused, dismissed, and invalidated.

Without institutional support, I needed to find other ways of surviving and ultimately took out additional loans for the balance. I did not have the wherewithal to find additional scholarships or grants, and at that point, I did not know where to start. There was no guidance…My university failed me…I was in this arena of higher education, one that was not made for me, and one that did not know how to support me or understand my hardships.”

ANJELICA VARGAS
YOUNG LEADER AND NONPROFIT FOUNDER
CALIFORNIA

CREATING EQUITABLE FINANCIAL SECURITY FOR YOUTH AND YOUNG ADULTS: THREE PRIORITY OBJECTIVES

All youth and young adults are in a unique time in their life where they need to be focused on learning and training for their own personal aspirations and contributions, for their physical and mental health, and for their long-term financial security. And yet, our existing systems, services and institutions do not sufficiently focus on young people's intertwining needs. Our country needs to decide that as a matter of economic and racial equity, and frankly, morality, that investing in youth and young adults is a priority for long-term equitable economic policy and a truly healthy democracy.

The first two sections of this brief articulated our understanding of the core four conditions that young people need—braided together—to experience financial well-being and to be on track for economic success, and the extent to which these conditions are not being met for young adults from non-wealthy families today. Given that analysis, we have identified **three priority objectives** for policy solutions and high impact philanthropic investment approach that require attention and leadership:

Objective 1: Young people have the resources needed to provide a **foundation of stability.** This can be achieved through increasing non-labor income, especially during this pivotal time of life, as well as wages from earned income.

Objective 2: Young people have **accessible, affordable opportunities that would launch career pathways.** This can be achieved through debt free post-secondary education as well as career training grounded in work-based learning.

Objective 3: Young people have consistent **navigation/coaching support** to manage their critical life decisions, such as financial coaching, college/career advising, and other forms of life-stage relevant navigation support.

The next two sections will provide an overview of the high priority policies and philanthropic approaches that can respond to the current, urgent need, while also creating the long-term environment to position young adults for durable financial security in their lifetime.

POLICY OPPORTUNITIES

Fundamentally solving for the barriers to financial security facing today's young people will require committed, large scale policy action on all three of our identified objectives. Unsurprisingly but importantly, there is not one policy that can solve the complex set of challenges. Rather, there are a constellation of policies that ***all need to be prioritized*** to make real progress. Philanthropy can support these policy priorities through investing in program pilots to provide design insights and case-making research, funding organizations leading advocacy and movement building (especially those led by young leaders) and making tactical human capital investments in government to spur action taking (for example, by funding a staff position embedded in government to lead a particular initiative).

PROVIDING A FOUNDATION OF STABILITY

PROVIDE PREDICTABLE NON-LABOR INCOME SUPPORT

From guaranteed income pilots to Covid-19 stimulus payments, to the (now expired) expansion of the federal Child Tax Credit, providing predictable nonlabor income is an increasingly used policy tool in the U.S. as an effective way to stabilize a household's finances. Opportunities to scale up such approaches to support a broader swath of young adults in the U.S. include:

- **Restore and make permanent the expanded Child Tax Credit (CTC)**

The American Rescue Plan Act (March 2021) expanded the breadth and generosity of the existing CTC. For each child aged five or under, the credit increased by $1,600, with an additional increase of $1,000 for children between 6 and 17 years of age. The Credit was made fully refundable, meaning it was made available in full to parents regardless of their overall tax obligations. Finally, it temporarily delivered payments monthly, rather than annually at tax time, in an effort to help families with children make ends meet month-to-month. Even given the positive impact, the expanded CTC was not renewed when it expired.

- **Restore and expand the Earned Income Tax Credit**

The federal Earned Income Tax Credit (EITC) is one of the most effective anti-poverty programs in the United States. The tax credit could have a greater impact for young adults by increasing the value of the credit and by expanding eligibility and benefits to include childless workers and younger workers. The temporary expansion of the EITC, as part of the American Rescue Plan of 2021, provided income support to an additional 17 million low-pay workers, including young workers ages 19 - 24 years old. Workers within this age group are twice as likely to be underemployed compared to other age groups–making income support such as the EITC especially critical to young adults. A permanent and further expansion of the EITC that includes part-time and full-time students under the age of 24 should help reduce the high poverty rate experienced by this group and keep students from ending their higher education prematurely.[43]

- **Consider broader guaranteed non-labor market income solutions for young adults**

In the past years, there have been numerous large- and small-scale pilots testing different models for guaranteed nonlabor income. While most have been privately funded, there have been more policy solutions emerging from the successes and lessons of the pilots:

- The Santa Fe Mayors for Guaranteed Income pilot provides $400 in monthly income to 100 young parents enrolled in a certificate or degree program at the Santa Fe Community College (SFCC).
- Guaranteed income pilots targeting youth and young adults are being rolled out across the country. The Los Angeles County Department of Public Social Services recently launched a three-year basic income pilot that will provide $1,000 a month to 300 residents between the ages of 18 and 24 years old. Recipients will be randomly selected and must be enrolled in the General Relief Opportunities for Work (GROW) program, an employment and training services program. This guaranteed income pilot sets out to expand the career and educational opportunities of youth who have experienced significant life challenges such as houselessness.[44]

One unresolved, but critical, issue for the future success of such initiatives is around benefits cliffs—a sudden decrease or disqualification of public assistance benefits when a family's pay increases past eligibility threshold—and the choice it presents families between career advancement and potential decreases in needed support.[45] Benefits that are disregarded as income help families receive the full scale of benefits for which they would otherwise be eligible and improve financial stability and security.[46]

BOOST EARNINGS FROM LABOR INCOME

- **Raise the federal minimum wage**

Neither the federal minimum wage of $7.25 per hour nor many higher state minimum wages translate into a living wage for young adults. The situation is more extreme for workers earning sub-minimum wages, including tipped workers and some disabled workers. Workers under the age of 25 made up around 66 percent of those paid the federal minimum wage or less in 2019. [47] States are demonstrating that raising minimum wages— including for tipped workers—to at least $15 per hour benefits workers has little impact on the number of jobs.[48]

DEBT-FREE CAREER ONRAMPS

SUPPORT AFFORDABLE, DEBT-FREE POST SECONDARY EDUCATION OPPORTUNITIES

Reducing tuition and fees–along with providing basic needs support for students-through increased public funding is the best way to reduce student loan borrowing. Policy opportunities to do so include:

- **Guarantee all students 2-4 years of low cost or tuition-free public higher education through federal or state policies.** To increase college enrollment and reduce students' need to borrow, higher education could be subsidized or made entirely free. Some states have already enacted policies that provide tuition-free attendance at community and four-year colleges. Tennessee's TN Reconnect program[49] enables eligible adults to attend a community or technical college tuition-free for up to two years and the New Mexico Opportunity Scholarship Act covers full tuition[50] and fees at in-state public colleges for nearly all New Mexicans. Residents of New York State making under $125,000 per year qualify to attend State University of New York (SUNY) and City University of New York (CUNY) tuition-free.[51] Research on these policies show that program design is key, as some increase enrollment and reduce student debt default.[52]

- **Expand funding, eligibility, and allowable uses for Federal Pell Grants.** During the 2019-2020 academic year, the maximum Pell grant award only made up 28% of average costs (tuition, fees, room and board) at public universities. [53] Clearly, there is a need to increase grant awards for existing eligible students. Given the high costs of higher education and the increasing affordability challenge for middle-income households, there is an additional need to revisit criteria for eligibility. A bipartisan proposal by The Bipartisan Policy Center details the benefits of a $90 billion expansion.[54] Related, there appears to be bipartisan interest, in allowing Pell grants to be used for short-term career pathway programs to increase their affordability.[55]

- **Supplement federal financial aid grants for LMI students.** States can build on federal grants to increase access to higher education and reduce debt with multiple policies. Eligibility is often targeted to students also eligible for Pell Grants. Additionally, some states provide financial aid for students who are not eligible for federal aid, including those that are undocumented. Setting limits to how much tuition can increase depending on economic indicators such as inflation and median income growth would also control higher education costs for students.

- **Cancel at least $30,000 of federal student loan debt per borrower.** While higher education can raise earnings overtime for young adults, student debt can make it harder to have financial stability. Proposals to forgive student debt would increase wealth in both absolute and relative terms (especially for Black borrowers) and pull many student borrowers out of having negative net worth. Aspen FSP has encouraged federal policymakers to cancel at least $30,000 per borrower.[56]

- **Support basic needs for young adults in postsecondary education.** Data from both before and during the pandemic suggest that a lack of resources for basic needs–food, housing, transportation, health care, and for parents, child care—are a major barrier to young adults seeing through their postsecondary educational plans. Pandemic-era data suggest that financial hardship and precarious access to basic needs are a key barrier to keeping young adults enrolled and successful in higher education programs. Basic needs support alongside the elimination of tuition and fees will provide the best environment for success for young people.

Fulfillment of basic needs are critical for academic success

"During my parents' time as students one of my first memories is when the University would occasionally deliver a box of food and other supplies like toiletries to our doorstep. Although it was a relatively simple package, it made the biggest difference in our family. One night in particular, I recall my parents arguing over how we would pay for food, and my father reminded me that my sisters were complaining about the lack of soap in the bathroom. While trying to figure out their plan to continue, late (past 10 pm) on a rainy night, a woman appeared at our doorstep with a box of food and toiletries that she felt she needed to deliver that night. It was just what my family needed.

I spent many years in higher education advocacy, knowing that fighting for and providing additional support for student parents could save lives and make a huge difference in communities that need it the most and are fighting their hardest.

Basic needs support must be expanded and revolutionized to ensure that those who need it the most have access while students are looking to make it through academically, especially for those with families to support them as they navigate their educational journey."

MICHAEL WIAFE
YOUNG LEADER AND YOUTH ADVOCATE
CALIFORNIA

Some new programs in New York, NY are piloting housing and other basic needs assistance targeted at students enrolled in postsecondary education to see how that support stabilizes the students and allows for more successful educational attainment.[57] Also of note, in 2022, New Mexico is the first state in the country to pass a law to provide a permanent fund for child care that will make child care more accessible and affordable and increase the wages of providers.[58] This increase in access and affordability will provide relief for students pursuing postsecondary education and other career-focused training.

INVEST IN CAREER PATHWAYS GROUNDED IN WORK-BASED LEARNING

With a combination of cost, institutional disruptions, and degree inflation pushing the job market benefits of traditional higher education further out of reach for many young adults, it is especially important to provide multiple on-ramps to career-oriented, remunerative training opportunities.

- **Expand apprenticeships, including pre- and youth apprenticeships** The federal apprenticeship system, long confined to certain technical and craft fields, represents an under-utilized policy tool. Federal Apprenticeship Programs provide training and job opportunities at the federal level and across multiple sectors including healthcare, financial services, transportation, hospitality, and construction. There are currently around 120,000 apprentices across 40 registered apprenticeship (RA) programs.[59] Youth apprenticeships integrate academics and paid on-the-job training through high school and beyond, while pre-apprenticeships offer on-ramps for opportunity youth. Formal state-level frameworks for work-based learning and youth apprenticeship (as Wisconsin, North Carolina, Maryland and Washington have articulated through state law, regulations or agency guidance) nurture partnerships between industry and schools. And in states like California and North Carolina, state appropriations fund postsecondary coursework for youth apprentices.[60] Training providers in Pennsylvania leverage AmeriCorps funding to combine pre-apprenticeship training with national service as a way to contextualize skills developed through work-based learning activities in the information technology, green infrastructure and environmental sectors.[61] Importantly, income from apprenticeships can potentially jeopardize benefits the household receives, increasing the importance of reforming the asset limit burdens described earlier in the paper.

- **Involve young people in the co-design of career programs and systems.** USDOL strongly encourages, but does not require, state and local workforce boards to establish youth committees including stakeholders from various sectors to inform the planning and delivery of federally funded workforce development programs, but youth and young adults themselves have historically been excluded from these formations. Authentically engaging the voices of young people requires intention, support and financial compensation for the young person's time and expertise. In Hartford, Connecticut, the city government and local workforce boards have worked with philanthropy and community-based organizations to engage young leaders in designing and managing contracts and funding.[62] In Los Angeles, young leaders have successfully worked with adult advocates to break down barriers between the child welfare and workforce systems, leading to expanded local funding, efficiencies in program design, and a state-level waiver that expands access to federally funded workforce services to young people who have experienced foster care, the justice system or homelessness without requiring that they first disconnect from school.

- **Reauthorize, reinvent, and more significantly resource existing, foundational legislation to support career pathways for young people.** The Workforce Innovation and Opportunity Act (WIOA) and the National Apprenticeship Act need to be scaled to meet the current (and growing) youth income and employment challenges. In particular, WIOA must modernize their vision focusing on research-backed effective strategies to connect youth to school and work. Strategies could include: (1) co-creating programming with young people to prioritize their voice, foster empowerment, and agency; and (2) adapting lessons from other disciplines like trauma-informed care, research in adolescent brain development, and a restorative justice framework.[63]

CONNECT YOUNG ADULTS WITH THE RESOURCES THEY NEED TO MAKE CONFIDENT EDUCATIONAL, CAREER, AND FINANCIAL DECISIONS

REQUIRE STANDALONE PERSONAL FINANCE COURSES IN HIGH SCHOOL—OR EMBED FINANCIAL CAPABILITY DEVELOPMENT INTO WORKFORCE OR POST-SECONDARY EDUCATION —MODELED AFTER SUCCESSFUL COURSES ALREADY EXISTING IN THE U.S.

- Nearly a third of all U.S. high schools required a standalone personal finance course in AY 2021 - 2022. Research has shown that access to these courses result in better financial outcomes for students. Personal finance courses have helped increase credit scores, shift borrowers to lower interest options, and reduce payday borrowing.[64]

- Personal finance courses, and frankly any kind of financial coaching or counseling, need to be culturally and generationally relevant, centering racial equity, current realities, and the strengths of young people.[65]

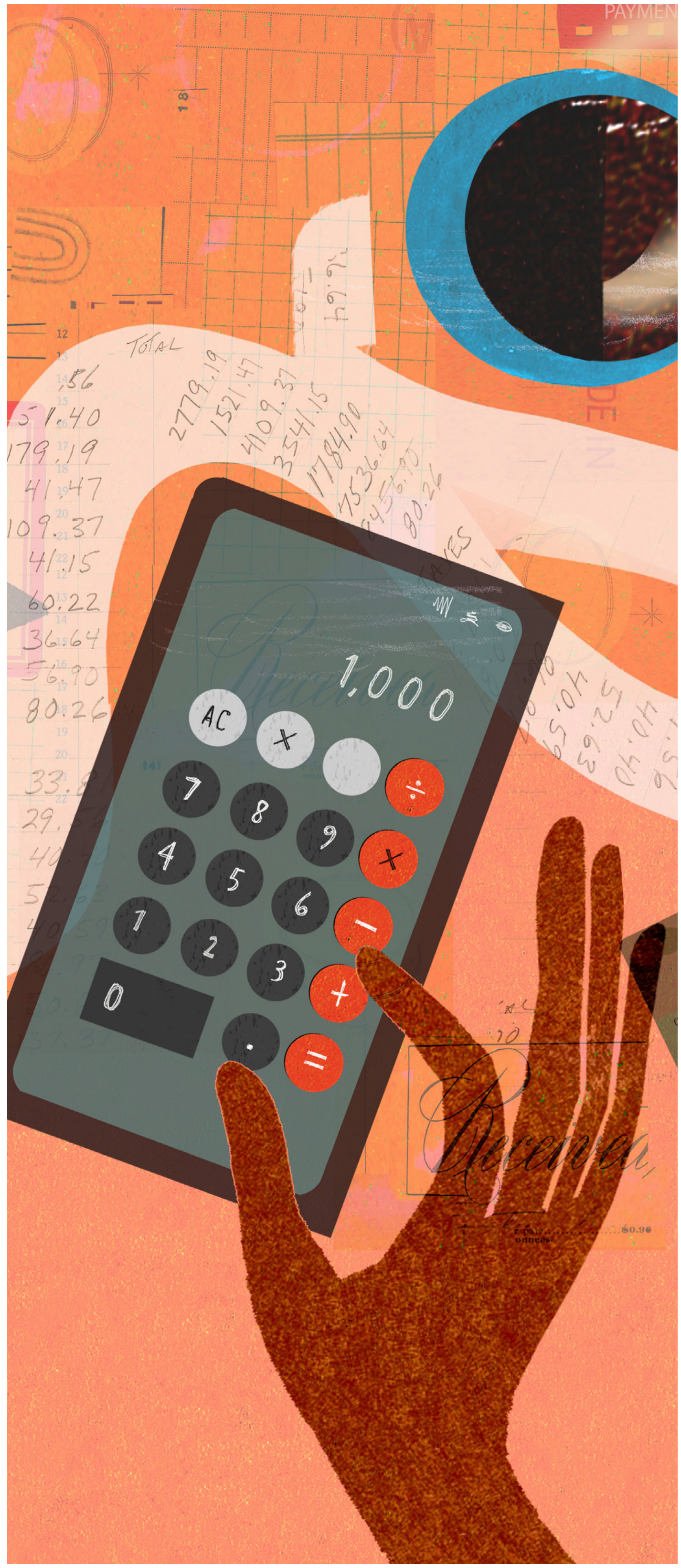
- Financial capability development could also be embedded more successfully into workforce and postsecondary education. While financial literacy is one of the 14 program elements for the WIOA youth program, it could be more consistently and effectively implemented by engaging practitioners in the design and practice in addition to building in-house capacities. Organizations like MyPath have successful models that build a range of financial capability programs into youth employment programs. Additionally, YouthBuild USA's 2022 toolkits highlight effective practices from YouthBuild sites across the country including integrating trauma-informed care and social-emotional learning into financial capability education and using peer-led facilitation.[66]

INVEST IN RELATIONSHIP-BASED STRATEGIES LIKE MENTORING THAT SUPPORT POST-SECONDARY TRANSITION, REENGAGEMENT, AND CAREER ADVANCEMENT.

- The City University of New York system's CUNY Accelerated Study in Associates program (ASAP) integrates financial support and special class scheduling with comprehensive and personalized academic and career advice that delivers far more personal attention from advisors than community college students typically receive. It doubled three-year community college graduation rates in its original iteration and has shown effects of similar magnitude when replicated in Ohio.[67] Evidence suggests that other targeted, intensive support programs improve community college outcomes.[68]

- In 2015, the federal Social Innovation Fund supported the implementation of JFF's Back on Track framework through the Opportunity Works project–which focuses heavily on supportive relationships, but not formal mentoring for three years in seven cities. An impact evaluation covering three sites found large, consistent positive effects on participants' postsecondary enrollment and increased connection with education or employment one year after program entry, with even stronger postsecondary results for young men of color.[69] As a robust framework that is well codified but more adaptable than a specific program model, Back on Track offers a lever for change that policymakers could readily scale across variable settings.[70]

- Another successful example of the positive impact of navigation support is the Year Up program, a training program for young adults aged 18-24 that provides training, internships, and wrap-around supports–including intensive mentoring and counseling. A recent evaluation found persistent positive benefits of the Year Up model for seven years following program participation around workforce connections, earnings, and other positive financial outcomes.[71]



FUNDER RECOMMENDATIONS

To be clear, the undermining issues surrounding young adults' financial security result from deep and multiple system challenges and breakdowns. We must fix those system issues. And yet, young people are struggling in consequential and inequitable ways and need help now—an entire generation is at risk, and we have an obligation and opportunity to course correct, even while we work on systems change. But what does that practically mean based on the existing evidence and insights, the current related investments and where there is strategic opportunity?

A key takeaway from this brief is that young people need a long-term, whole-of-society, committed approach that prioritizes providing a floor of stability and opportunity equitably for all youth and young adults. While philanthropy cannot provide all of these needs directly, they are well suited to take leadership by continuing to support existing work and introducing what works in new communities-investing in (1) pilots and practice paired with learning (2) initiatives that are resourced sufficiently for partners across sectors to work together and (3) human capital, technology and other infrastructure investments that allow government to innovate and pay attention to important societal and system needs. Additionally, the sector should invest in organizing, narrative work to inform public opinion, and advocacy using their social capital and influential networks to socialize and normalize the expectations of a more equitable country for youth and young adults. Below is guidance about how to adopt an approach that will lead to the most strategic actions and funding towards financial security for young people.

KEY GRANTMAKING CONSIDERATIONS:

ENSURE IN PARTNERSHIP MODELS THAT THERE IS GENUINE CO-CREATION WITH YOUNG PEOPLE AND OPPORTUNITY TO REFINE DESIGNS OVER TIME WITH THEIR PARTICIPATION AND LEADERSHIP.

Young people know and understand their needs, their problems, and what solutions would work best for them. While they may not have the same technical experience as government or nonprofit service providers, policy makers, or higher education administrators, they bring a necessary expertise in what it means to be a young person now, in the current context, and what will work in their own lives. That knowledge sharing, exercise of their own agency, and commitment to solutions for them and their generation is critical to successful change.

PRIORITIZE INVESTMENTS THAT ADDRESS STABILITY NEEDS.

Necessary to focusing on training, education, and other opportunity pathways are the deeply related issues of needing time and money. **For young adults, time and money are the biggest impediments to building a path that could bring financial well-being and security.** In a most ideal situation - that would result in a growing a stable economy for the U.S. -, all young people–regardless of access to private wealth—would have the freedom and resources to engage in rigorous, meaningful training and education activities by receiving sufficient nonlabor income to cover their basic needs. The main element missing is reliable income which is foundational to fully engaging in development opportunities.

FOCUS INVESTMENTS ON PRACTICE AND POLICY THAT PROVIDE THE MOST SIMPLIFIED AND RELIABLE SUPPORT.

Supports for youth and young adults need to be available in ways that are predictable and reliable. For example, a young person should not need to have a tax advisor or advanced tax preparation knowledge to access tax credits designed to support them. The policy and program design should be responsive to the changing needs of young adults and provide the level of living support that allow them to thrive.

PRIORITIZE FUNDING PRACTICE AND POLICY MODELS THAT ARE BRAIDING TOGETHER PROVEN SOLUTIONS TO DELIVER THE FOUNDATIONS OF FINANCIAL WELL-BEING.

For decades, many public and private sector institutions have invested in financial stability, financial capability, opportunity pathways, and navigation support resulting in a unique understanding, deep expertise, and diverse networks to combine toward youth and young adult financial well-being. And yet, a challenge to seeing substantive positive impact for young people is that rarely are all four necessary components being experienced by them at the same time. Philanthropy should try and fill in gaps and / or increase availability of solutions across the pillars and support opportunities that provide more integrated access points.

CONSIDER THE NECESSARY "PRE-WORK" TO MAP YOUR CURRENT INVESTMENTS

Philanthropy can put this brief into action by considering how the four interlocking conditions that all young people need to achieve financial security relates to their current grantees and networks—

- Where do high impact and high-capacity partners already exist?
- Are these partners already youth-serving organizations and do they prioritize youth leadership in development, design, and implementation of programs and work?
- What are the gaps in the braiding of financial stability, opportunity pathways, and navigation support?

This pre-work will allow the philanthropy to more strategically build on existing networks and deepen the impact by ensuring all supports are present and sufficient for young adults.

KEY ASSESSMENT QUESTIONS FOR INVESTMENT OPPORTUNITIES

Based on the priorities and approaches identified and the grantmaking considerations described, below are a sequence of assessment questions for funders to use to evaluate investment opportunities.

1. **Start with financial stability and specifically income** - Where do nonlabor income programs already exist or are emerging that a funder can leverage and layer resources into? This is the most costly component of the framework and the most essential.

2. **Leverage existing networks and investments -** Using the map of current grantees described above as a guide, does the funder have existing partner networks where income programs are operating? Identifying partners within the existing networks that are resourced to provide services within the framework foundations will allow for a quicker and less costly start-up.

3. **Engage in strategic matchmaking and assess the gaps -** Where nonlabor income programs exist and an organization providing supports exists, assess the capacity of partners to deliver services from the support areas and identify where gaps exist and the investment needed to build capacity.

4. **Determine if there is a good model and what components are the highest and best use for foundation funds -** Finally, determine if all the right partners are available, committed, and properly resourced – including is there a local champion, are the groups connected to national partners? Do they have a research / policy partner and translator of their work? Can the investment provide key help to young people now and also give needed insights for replication, scaling, engaging public funders, and systems change?

Additional questions to consider can be found in AFN's funder primer, *On the Road to Racial and Economic Justice: Essential Questions for Addressing Racial Bias in Asset-Building Philanthropy.* This brief was designed to support funder efforts to advance racial equity and invest in the financial security for youth and young adults. Racial bias in philanthropy is often insidious, disguised as race-neutral. White-centered networks and views around risk and evaluation routinely disadvantage communities of color. Already under resourced and burdened by complicated grant and reporting processes, nonprofit leaders of color must constantly prove "capacity," equal to or exceeding that of long-established, White-led organizations, which often leads to denied funding and staff burnout. As the byproduct of the racialized systems and conditions that make philanthropy possible, foundations have a unique responsibility to engage directly in corrective processes. By adopting race-conscious approaches across all aspects of their work, funders can nurture racial equity at its roots. Additional funder resources are available on *AFN's Realizing Economic Justice platform.*

INVESTING IN ADVOCACY

Funding related research, evaluation, policy, and advocacy towards genuine systems change cannot be forgotten in an investment strategy for youth and young adult financial security. The policies identified earlier in the brief need refinement, additional evidence, campaigns, and leadership to be fully realized. Organizations and movements led by young people can be invested in at the national, regional, and local levels. Unfortunately, we cannot only "fund our way" out of this urgent national problem. We need philanthropy's voice, leadership, and influence to see real change and progress for young people across sectors.

CALL TO ACTION

It cannot be overstated how consequential the years between ages 16 and 25 are in a person's life. Young people who come from the range of resources private wealth encompasses can focus on themselves and their development with relative ease and success.

That is how the current system is designed. They have funds to cover their basic living needs (for example: housing, food, transportation, healthcare, dependent care). They have resources to fund their education or training. They have the luxury that their stress is primarily related to performance in their classes versus making sure they or their family can pay their rent. It simply is a different experience and for no fair reason.

This dynamic leads us to a critical existential question – do we think that is okay? Do we really want to substantively attack poverty and inequity? Do we believe that all young people have the potential and promise to contribute to our communities, and do we want them to have the opportunity to fully realize it? If the answer is that the current system and outcomes are not okay, then we need to invest holistically, sufficiently, and with enthusiasm in the conditions for young adult financial well-being and ensure all young people have access to all of them in a seamless, simple, and effective way. Practically, the solutions are known and ready for the taking - what is needed is leadership and collaboration across philanthropy to invest courageously in youth and young adults.

APPENDIX A: INTERVIEWEES AND KEY INFORMANTS

The following list identifies the individuals who graciously shared their time and expertise. Their participation in an interview, focus group, or other method of input does not indicate an endorsement of the contents of this brief. Interviews and focus groups were conducted In June and July 2021.

ORGANIZATION (AS OF JULY 2021)	INDIVIDUALS
The Annie E. Casey Foundation	Velvet Bryant, Rosa Maria Castaneda, Patrice Cromwell, Dina Emam, Quanic Fullard, Irene Lee, Sandy Wilkie, & Beadsie Woo
Annie E. Casey Foundation Learn and Earn to Achieve Potential (LEAP) Fellows	Youth leaders from the Learn and Earn to Achieve Potential initiative
Aspen Forum for Community Solutions	Mike Swigert & Steve Patrick
Center for Native American Youth (CNAY) at the Aspen Institute	Nikki Santos
Institute for Women's Policy Research (IWPR)	Lindsey Reichlin Cruse
John Burton Advocates for Youth (JBAY)	Debbie Raucher
LIFT	Lucy Smart & Helah Robinson
LISC	Katrin Sirje Kark
MyPath	Fahad Qurashi & Margaret Libby
New Orleans Youth Alliance (NOYA)	Michele Seymour
Opportunity Youth United & Aspen Institute Forum for Community Solutions	Jamiel Alexander
Rural LISC	Justin Burch
Young Invincibles	Aurora Harris & Khalid Alexander

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