

Innovative Approaches to Saving and Asset-Building for Low-Income Canadians

Federal Reserve Bank of Cleveland and the
University of North Carolina, Chapel Hill's,
Asset-Building Research Group

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Where Innovation Creates Action

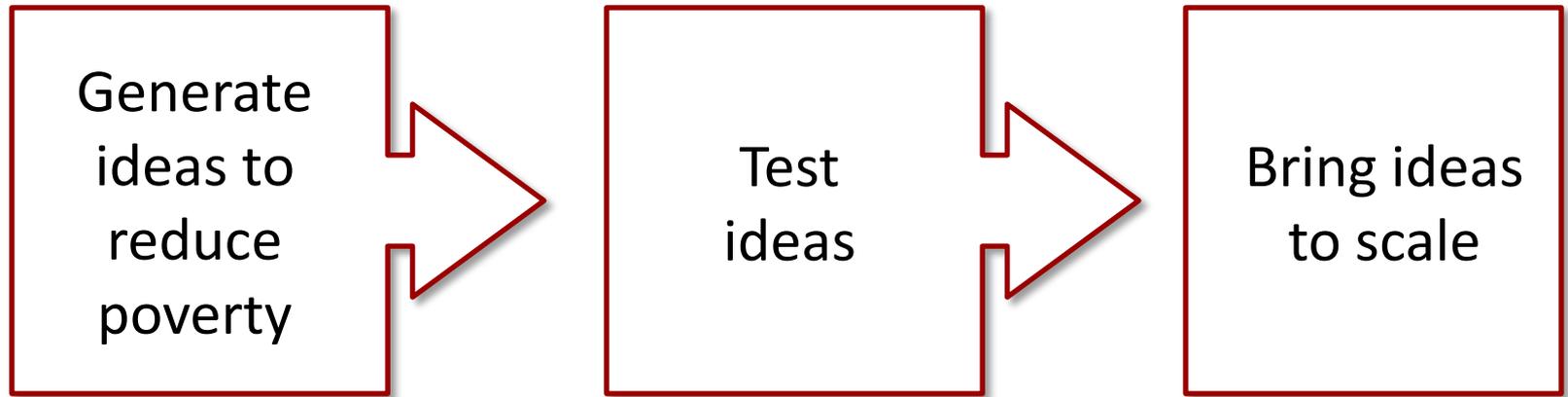
www.sedi.org

MISSION

To reduce poverty by expanding social and economic opportunity for low-income Canadians.

The screenshot shows the SEDI website homepage. At the top is the SEDI logo and a navigation menu with links for WHO WE ARE, PROGRAM AREAS, POLICY DIRECTIONS, FOR INDIVIDUALS, FOR ORGANIZATIONS, RESOURCES, WHAT'S NEW, FAQs, and CONTACT US. Below the navigation is a hero banner featuring a smiling woman and the quote "I exceeded my goals...". To the right of the banner is a news snippet about the Canadian Centre for Financial Literacy. The main content area is divided into several sections: "Success Stories" with a "Be inspired ..." sub-section, "How to Help" with a "Donate Now" button and an "Employment Opportunity" section, "Latest News" with several news items, and "Media Room" with a video player and "Releases, articles and the latest news on SEDI." At the bottom right, there is a section for "SEDI Awards" with the tagline "Support. Celebrate. Inspire."

What we do:



Canadian Policy Context:

- Growing wealth gap /Growing debt to savings ratio
- Growing concern about fringe financial institutions
- Large disparity - government asset supports for non-poor/what is available for the poor
- Asset initiatives/incentives for non-poor are successful but not designed to be inclusive
- Governments and Employers moving to transfer/account based initiatives
- Investment vs. Expenditure
- Life-course focus
- Economic melt down

Canadian Initiatives:

- Learn\$ave 2000
- Community Based projects 2001-present (113)
Momentum 1999
- Social assistance exemptions in 6 provinces
- Research for Home\$ave 2004
- Independent Living Accounts 2005
- Canada Learning Bond 2006
- Alberta Centennial Bond 2006
- BC Children's Education Fund 2007
- Registered Disability Savings Plan 2007
- CRA decision to exempt matched savings 2007
- British Columbia A-B Collaborative

Canadian Initiatives:

- Tax free savings accounts 2008
- Financial literacy an essential skill 2008
- Ontario budget announcement 2008
- SEDI- Canadian Centre for Financial Literacy (CCFL)
- National Task Force on Financial Literacy - 2009
- Manitoba Saves, Ontario OCBe Kids in Care – 09
- Learn\$ave results 2010
- Ontario Pilot Project for those in social housing
- Continued Federal/Municipal funding for ILA
- Interest by HRSDC and Corrections Canada

Learn\$ave 2000-09

- Low-skills Canadians growingly at risk of low earnings and low employability in the knowledge economy.
- Existing government programs and tax incentives to support education and training not reaching low-income adults.
- Government of Canada looking for ways to promote training and education among low-skilled.
- IDAs could represent a new policy tool for goal.

Project Partners:

Objective: To demonstrate, through rigorous evaluation, that a matched saving incentive plus financial education can encourage low-income adults to save for education or for starting a small business.

Delivery: SEDI

Research and evaluation: SRDC

Funding: Human Resources Development Canada

Partners: Royal Bank of Canada and 2 Credit Unions

Program Design:

- \$3 in matched credits for every \$1 saved
- Must “actively” save: at least \$10 in each of 12 months
- 3 years to earn credits
- Max. deposits qualifying for credits: \$250 monthly and
- \$1,500 overall during saving period (\$6,000 total)
- Participants had until month 48 to use their credits
- Goa I- accredited education, job training or for starting a small business, supports to learning
- Financial Literacy Training
- Enhanced Case Management

Program Design - Eligibility

- Applicants must be: low income
household income < 120% of LICO
- \$3000 or less in liquid assets,
- 21-65 years old, or 18+ and out of school for more than 2 years
- Not full time PSE student
- House value < median value of homes in the area
- Beneficiary permitted

Experimental Design:

At 3 of the 10 sites:

- Eligible applicants randomly assigned to 1 of 3 research groups (and thus the groups are similar):
 - *learn\$ave-only group: 3:1 matched credits o*
 - *learn\$ave-plus group: 3:1 matched credits plus financial management training and more intensive case management services*
 - *control group: received neither credits nor services*
- Impacts estimated as differences between outcomes of the research groups

Data Sources:

- **Survey:** baseline survey, 3 follow-up surveys (18, 40 and 54 months -- to monitor savings, assets, education and small business outcomes
- Data on **3,600** participants at the 3 experimental sites: 1,200 in each *learn\$ave*-only, *learn\$ave*-plus and control groups
- **Management Information System:** monthly track of deposits/withdrawals
- Data on 3,625 participants across 10 sites: 2,400 in the program groups
- 225 IA recipients at the 3 experimental sites, 1,000 participants at the 7 non-experimental sites

Program Outcomes:

- Increase the level of participation in PSE education programs by over 20%.
- Impacts on education enrolment were widespread:
 - Those at the lowest and highest educational levels, who were in the lowest income bracket, or who were not regular savers.
- Positive impact on the type of education - certificate or degree programs at PSE level. Returns in the form of greater employment earnings.
- Matched credits significantly increased (by 24.5 %) impact on incidence of self-employment as well as on duration and income (durability of bus.).

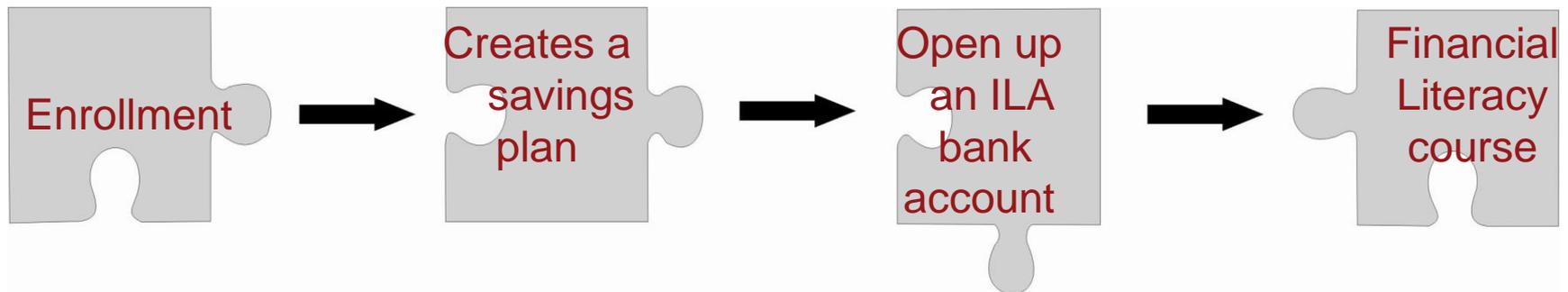
Program Outcomes:

- Beneficiaries increased participation in education programs by add. 1.4 % points over the increase in participation among accountholders themselves.
- Those on income assistance, can and do save with financial incentives and supports - contrasts with concerns expressed by critics that low-income populations do not have resources to allow any savings at all.
- No evidence of hardship.
- Positive effect on life satisfaction
- Greater attachment to financial institutions.

Program Outcomes:

- Financial Literacy offered little benefit
- Administered through community based organizations was costly.
- Oversubscribed by Newcomers.
- Cost savings suggested- admin. through tax system:
 - Services and supports important but expensive need for a basic level of support and personalized service that cannot be delivered through the income tax system

ILA Program model



Participants living in a shelter or transitional housing and want to move to independent living.

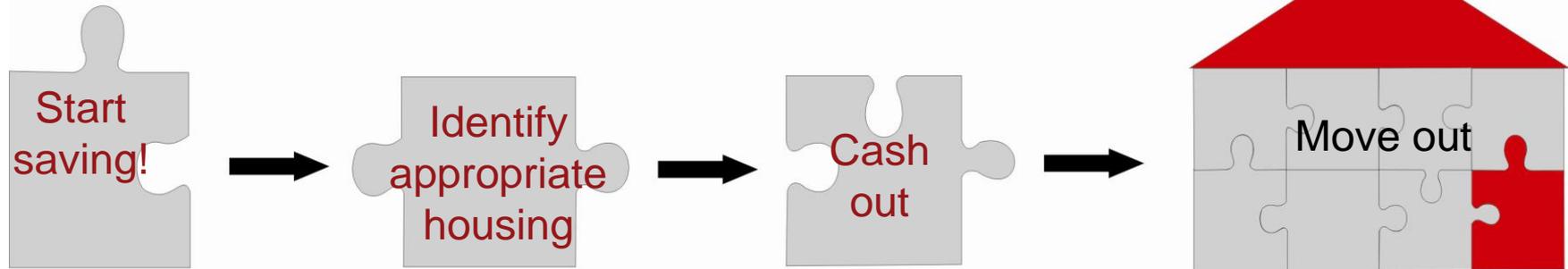
Case worker assists to create a plan for moving out into the community.

Support for participants to open a bank account and start saving.

Partnership with TD has allowed us to overcome typical barriers such as I.D. requirements.

Mandatory 12 hr. course on money management and responsibilities of living on ones own.

ILA Program model



\$1 of personal savings triggers \$3 in match.

**Max. personal savings up to \$400 then matched with a max. \$1,200.
Total = \$1600**

Participants work with housing workers to identify a place to live.

Participants use their personal savings, combined with the match to pay for first and last months rent, utility hook-up, employment supports and moving expenses.

Participants move out to their own place.

Qualitative Research

- Participants to compete more effectively for the limited amounts of housing in local markets, allowing for a more comprehensive search of available units, improve housing in better locations and improved confidence with landlords.
- Assisted to reduce stress and uncertainty to independent living.
- Matched credits provided a greater sense of independence and control for participants in the project.
- Many participants reconnected with the banking system, increased their financial knowledge and confidence with the economic mainstream.

Project Results:

- Expanded to 8 locations in Toronto and 2 in District of Muskoka (north of TO).
- 80% of those enrolled actively participate in program.
- 80% of those enrolled open bank accounts.
- 56% who opened bank accounts have now cashed out of the program, moved out of the shelter system and onto more independent living (93% had more savings than what was required for the ILA program).
- SARs save lower amounts for longer periods of time.
- Experiencing greater demand.

Provincial Project – Ontario

- 3 year duration, Design December 2010.
- 500 – 3 or 4 locations – lower cost centres.
- Project delivery – in house with housing providers (enrolment, screening, bank account set-up, fin.lit, saving assistance, goal choice and cash-out).
- MIS data collection and analysis.
- Financial Institution – TD Bank Financial Group, Accounts, branch assistance, data download

Summary

- **There is evidence** supporting the efficacy of asset based policy initiatives.
- Asset based initiatives are of interest to policy makers, the voluntary sector and business.
- Financial literacy is an **essential skill** and a precondition to successful asset building.
- Income initiatives alone are not resolving the wealth gap in Canada.
- There is a large inequity in current public policy.

Program Participant Testimonial:

“This project was a springboard and it caught me on the way down. I never thought about banking or even how important saving really is. No one ever invested in me before and that is what really made the difference. Everyone living like me should have the same opportunity.”

Fred Green, ILA Program Participant , Fort York Residences,
Toronto

For more information on

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