NEW AMERICA FOUNDATION

ASSET BUILDING PROGRAM

ISSUE BRIEF

A FINANCIAL JUMP START FOR CALWORKS RECIPIENTS:
Financial Management Training as an Allowable Work Activity

By Anne Stuhldreher, California Assets Fellow

EVERYONE -- ESPECIALLY THE POOR -- NEEDS FINANCIAL MANAGEMENT TRAINING

In a recent speech, Federal Reserve Chair Alan Greenspan noted, "Today's financial world is highly complex when compared with that of a generation ago. Forty years ago, a simple understanding of how to maintain a checking and savings account, at local banks and savings institutions may have been sufficient. Now, consumers must be able to differentiate between a wide range of financial products and services, and providers of those products and services." While the population as a whole generally lacks the financial education needed to make good decisions, this problem can hit low-income Americans the hardest. Not only are low-income families more likely to lack access to a bank account, they are also the most vulnerable to abusive lending practices. Therefore, financial education should be targeted to low-income families receiving assistance in the CalWORKs program.

MOVING TOWARD SELF SUFFICIENCY

The primary goal of the CalWORKs program is to help low-income families move towards greater financial security through work. However, to ensure families can get on a path towards self-sufficiency and then maintain their financial independence they also need to have the tools to make good financial decisions in an increasingly complex financial marketplace. They must learn the importance of building savings, establishing good credit, and avoiding predatory lending. To reach these goals, California should count attendance at financial education seminars or classes as a work activity for CalWORKs recipients.

EVIDENCE FROM OTHER STATES

California can look to states such as Illinois and Delaware that allow financial management training to be included as an allowable work activity. Through the Financial Links for Low-Income People (FLLIP) initiative in Illinois, a comprehensive financial education curriculum targeted to low-income families has already been conducted and evaluated. Graduates of this course gained knowledge and made positive financial behavioral changes that—coupled with new employment opportunities—will bring about greater financial security for their families. Graduates interviewed 6-12 months after completion reported that they saved more (74%), tracked spending better (85%), opened bank accounts (over 33%), and participated in employee benefits (14%) and work support benefits (31%) that they were not receiving before. FLLIP distributes this curriculum to other states interested in creating similar programs and many Cooperative Extension Agencies at public universities are skilled at training teachers of financial education or delivering the education directly themselves.

FOR MORE INFORMATION:

Anne Stuhldreher.
California Assets Fellow
New America Foundation – California Program
(415) 596-6138 phone
Stuhldreher@newamerica.net
www.ca-assets.org