



Building Family Economic Success

FINANCIAL PLANNING AND EDUCATION

Strong financial skills and access to effective financial advice can be crucial for low-income families to avoid high-cost borrowing, maximize savings, and build the strong credit records needed to qualify for affordable mortgages. However, financial education is not integrated into most school curricula or offered in most workplaces, and financial counseling is scarce in most low-income communities. As part of its FES grantmaking agenda, the Annie E. Casey Foundation is striving to fill this financial education and counseling gap in disadvantaged communities.

The Importance of Financial Planning and Education

Every day, rural and urban low-income families face critical choices that can either move them toward a better financial future or trap them in debt and ruin their credit. Having financial management skills and access to fairly priced financial services helps families protect their income, understand and exercise their options, and better cope with inequities in their financial environments.

By empowering low-income families to make more informed choices, basic financial education can help families increase their financial stability and build their wealth. However, some financial choices are very complex, and carry long-term consequences, so families may need personalized financial advice in addition to basic education. Unfortunately, the financial planning services that many middle-income Americans take for granted when buying a home, saving for retirement or saving for a child's education are not available to most lower income families. While high-pressure marketing encourages them to borrow and spend, unbiased financial advice is hard to obtain.

Important facts about the financial challenges faced by low-income families:

- Savings levels for all Americans are low, but working poor families often have no—or negative—savings and assets.
- According to the 1998 Survey of Consumer Finances, families with incomes below \$20,000 had median financial assets of only \$600.
- Credit card debt among very low-income families grew by 184 percent between 1989 and 2001.
- Forty percent of all white children, and 73 percent of all black children, grow up in households with zero or negative net financial assets.

FES and Financial Planning and Education

Financial management skills and institutional supports can help low-income families stabilize their lives and build wealth, but innovative approaches are needed for the delivery of financial education and advice to low-income families. The public, private and nonprofit sectors all can play a role in designing and delivering effective and relevant financial education and financial planning services.

Strategies for Family Economic Success

The Annie E. Casey Foundation believes that the children in greatest trouble in America today are those whose parents lack the earnings, assets, services or social support systems required to consistently meet their families' needs. Most of these children are growing up in impoverished communities that are disconnected from the economic mainstream. The Foundation is working to help these isolated families secure adequate incomes, accumulate savings and live in stable, economically viable neighborhoods through a combination of workforce development, family economic supports and community investment strategies—an approach known as building *family economic success*, or FES. This fact sheet is one in a series outlining the key strategies of the Foundation's FES grantmaking agenda.

Centers for Working Families

The Earned Income Tax Credit (EITC)

Financial Planning and Education

Financial Services

The High Cost of Being Poor

Homeownership and Predatory Lending

Individual Development Accounts (IDAs) and Other Savings Tools

Workforce Development

Work Supports

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Resources

ACORN Housing
(www.acornhousing.org)

Aspen Institute, Economic Opportunity Program
(www.aspeninstitute.org)

"Avoiding the Money Trap" (rural version) and "The Money Trap" documentaries
(www.aecf.org/initiatives/fes/reading)

Cooperative State Research, Education and Extension Service (CSREES)
(www.csrees.usda.gov)

Corporation For Enterprise Development
(www.cfed.org)

"Implementing a Financial Program in Your Community," Karen Murrell, 2004.
(www.aecf.org/initiatives/fes/reading)

Money Smart
(www.fdic.gov)

National Endowment for Financial Education
(www.nefe.org)

PA Banking Secretary
(www.banking.state.pa.us)

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Through the FES grantmaking program, the Foundation is investing in several strategies to help improve families' financial skills:

- Promoting best practices in financial education. There are more than 400 financial education curriculums available today, and organizations need guidance in designing programs that meet the needs of their target population.
- Promoting public and private investment in financial education. The costs of poor financial decisions are not borne just by low-income families themselves, but also by communities. Financial education must be integrated into school curricula and other easily accessible locations like the workplace. Major public and private sector institutions must become committed to ensuring that families have access to the basic skills needed to navigate the economy.

Challenges and Opportunities

- Local organizations offering high-quality financial education and debt counseling are critical. Effective organizations like Consumer Credit Counseling have undergone cuts in funding recently, but these organizations are vital in ensuring that consumers receive unbiased advice. The troubling proliferation of ethically questionable for-profit debt counseling agencies underscores the need for greater investment in high-quality financial counseling.
- Coordination of existing financial education resources is important. Most communities already have a variety of financial education workshops and curricula. However, these resources often are uncoordinated and difficult to access. A state office or agency can serve as an effective clearinghouse for financial education and financial services options.
- Ultimately, there are clear limitations to financial education. Informed consumers are important, but it is equally important that there be appropriate and affordable financial services available to families, and regulatory protections against predatory practices.

