JIM CASEY
YOUTH OPPORTUNITIES
INITIATIVE

Building Financial Capability for Youth Transitioning from Foster Care

Introduction

Young people transitioning from foster care face multiple challenges. Many have experienced trauma as children, only to face the additional trauma of separation from their parents. While in foster care, frequent changes in the schools they attend and where and with whom they live can cause more disruption in their lives. Those that do not reunify with their biological families or become adopted will age out of foster care, often without the support of a permanent adult connection at the early age of 18 (or in some states, up to age 19, 20, or 21 for eligible young people).

Once on their own, juggling the demands of work, school, housing, relationships, health care, and sometimes parenting can be daunting without the support that most young adults receive from their parents. Research confirms that many young people who leave foster care without a family do not fare well on a range of indicators. They are less likely to be employed and have stable housing, and are more likely to become parents at an early age and drop out of school.

While in foster care, many teens live in group settings or foster family homes where they do not have opportunities to earn, spend, and save their own money with adults to guide them. Once they are thrust into the world on their own, one of the most overwhelming tasks for young people transitioning from foster care is navigating the complex world of finances. Basic life activities, such as securing a student loan, banking with a mainstream financial institution, buying a car, filing taxes, and renting an apartment can lead to poor financial decisions that can impede the road to independence.

The 2008 economic crisis led to increased awareness about the complexities of the financial markets, including unfair and even predatory practices, and resulted in important new consumer protections. Even so, for young people transitioning from foster care with little financial literacy and experience, it can be an unforgiving world. Many of the challenges that low- and moderate-income adults face are compounded for these young people. Today, there are even more ways that they can put themselves at financial risk, usually unknowingly, by accessing financial products and services that are not in their best interest.

Over the past decade, national and state policy makers have worked diligently to address the challenges that adolescents and young adults transitioning from foster care face, often talking directly with young people as they work to improve services and supports. Financial capability is an emerging issue of importance, as more research, best practices, and stories from young people link financial skills to success across many outcome areas, including employment, education, housing, and family relationships. In response to the increased interest and acknowledgment of the need for building financial skills, this brief aims to share the Jim Casey Youth Opportunities Initiative's experience in this area.

The Jim Casey Initiative: Building Financial Capability

Since 2001, the Jim Casey Initiative has been dedicated to improving the lives of young people transitioning from foster care. With young people and local partners in the lead, we seek to improve the systems that support these youth and young adults. Through work in communities, our activities include improving policies and practices in permanence, education, employment, financial capability, housing, health, and social capital.

At the outset, young people told us that financial management was the skill they needed, yet lacked the most, when leaving foster care. In response, the Jim Casey Initiative designed a targeted intervention—the Opportunity Passport™—that was meant to give adolescents and young adults real world experience with finances and asset building.

At the Jim Casey Initiative, we refer to building the ***financial capability*** of young people because we believe it's about how financial knowledge translates into improved behaviors. We increase their knowledge by providing a ***financial education.*** To then build financial capability, the Opportunity Passport™ provides opportunities for young people to practice and refine what they have learned in real world situations that are relevant to their lives.

The Opportunity Passport™ begins with financial education classes and provides young people, ages 14 through 25, with a small stipend for their participation. Young people are supported to open a bank account and set savings goals.[1] Savings can be matched on a 1:1 basis for purchases that will help young people go to school, get a job, start a business, buy a car, or secure housing, among other things.[2] Adult supporters help young people purchase assets that make sense for them given their goals. Opportunity Passport™ participants repeatedly share that the process of saving and purchasing assets makes them more aware of the ways in which they can become financially secure and independent and gives them hope for their future.

In 2009, we published *The Opportunity Passport™: Building Assets for Youth Aging Out of Foster Care* to share positive findings from the first eight years of experience with the Opportunity Passport™. ***Five years later, we are proud to report that young people continue to purchase assets that are making a meaningful difference in their lives by enabling them to go to school, work, live in stable housing, and provide for their children. Most importantly, the Opportunity Passport™ has become a tool that allows young people to build the full range of financial capabilities that contribute to enduring well-being.***

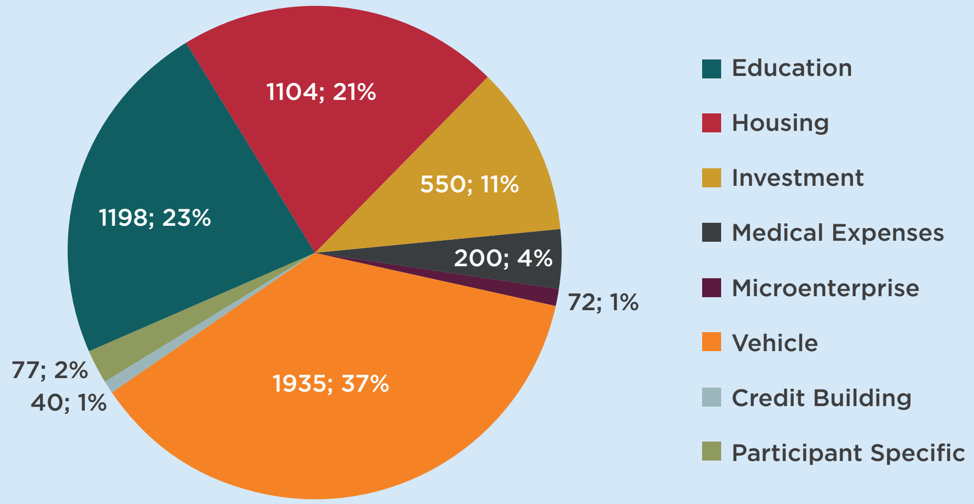
This issue brief summarizes the most recent data from the Opportunity Passport™ Participant Survey[3] and shares lessons learned. It also highlights some next steps the Jim Casey Initiative is taking, guided by the insights and experiences of Opportunity Passport™ participants, to develop a more robust set of financial capability interventions. Finally, we offer some considerations for policy makers who are interested in strengthening financial capability efforts on behalf of all youth transitioning from foster care.

1 Most participants open a bank account at the time they enroll in the Opportunity Passport™. However if immediately opening an account is not feasible for a young person, he or she can agree to work toward opening a bank account.

2 Young people can match for assets in any of the following categories: *housing* (e.g., first month's rent), *medical expenses* (e.g., health insurance), *education* (e.g., tuition), *vehicle* (e.g., car), *investments* (e.g., stocks, bonds), *microenterprise* (e.g., business start-up), and *credit building* (e.g. credit builder loans). The local partner can also approve *participant-specific assets.*

3 The Opportunity Passport™ Participant Survey is completed by participants at the time they enroll (baseline) and then twice annually. Data are collected through a web-based system and analyzed by an independent evaluator.

For young people transitioning from foster care, the most common asset purchases are vehicles, education, and housing.[4]



Positive Findings from the Opportunity Passport™

When we first introduced the Opportunity Passport™, many were skeptical whether it would work with young people transitioning from foster care. Would they actually save to purchase assets? Was a small asset purchase enough to make a difference in the difficult transition from foster care to adulthood? Many doubted the wisdom of expecting young people to engage in an Individual Development Account (IDA), which was initially conceived as a strategy to help low-income adults learn financial management, obtain experience with the mainstream banking system, and save money for assets.

Thankfully, we were able to engage young people and committed financial partners in the development of the Opportunity Passport™ to ensure it was uniquely designed for adolescents and young adults. We have adapted the approach over the years by continuing to draw on their input, as well as lessons learned from local implementation partners. Today, we continue to see positive impact for the young people involved, including some of our most vulnerable young people. The following results demonstrate these positive gains.

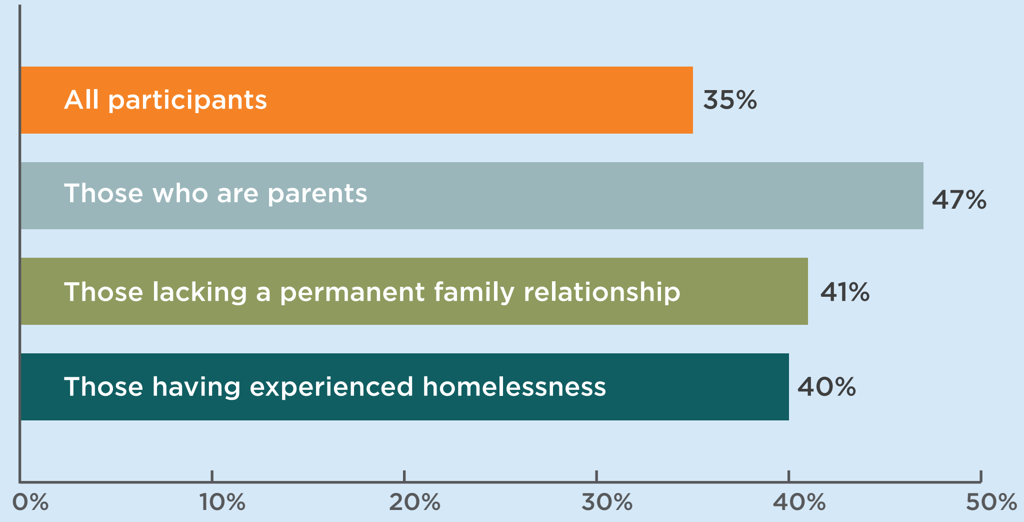
Young people are saving and acquiring assets to help achieve their future goals.

As of 2013, there have been 5,176 assets purchased by Opportunity Passport™ participants, totaling over $5 million. After purchasing their first asset, many young people continue to save and purchase additional assets. Vehicles continue to be the most common purchase for young people, in many cases allowing them to become and stay employed, go to school and medical appointments, and engage in activities in their communities. Local partners actively help young people make wise choices about the options available to them, including the kind of car to purchase, insurance plans, and financing packages. The process of purchasing a car is in itself a teachable moment in which adults can help young people build decision making skills and navigate the complexities of financial issues.

The next most common asset purchases are those that support education, including books and tuition. Asset

4 Based on 5,176 purchases by 2,470 out of 6,996 participants (35.3%). Data were obtained from the Opportunity Passport™ Data System for participants who took the Opportunity Passport™ Survey through October 31, 2013.

The most vulnerable young people are saving and purchasing assets.[5]



purchases for deposits on an apartment are also common and oftentimes the process of renting an apartment reveals credit issues that need to be resolved to secure the rental. For some young people, asset purchases for apartment deposits can mean the difference between a place to live and homelessness.

Asset purchasers report improvements on a variety of measures.

The experience of the Opportunity Passport™ has many important benefits beyond the actual purchase. Participants who purchase assets through the Opportunity Passport™ are more likely to report maintaining full-time employment and improvements in safe, stable, and affordable housing. Young people tell us that these impacts are to be expected. For example, purchasing a car immediately allows them to work more hours and creates more housing opportunities. And not surprisingly, participants who purchase assets are also more likely to report covering their monthly expenses and maintaining their bank account.

5 Data were obtained from the Opportunity Passport™ Data System for participants who took an Opportunity Passport™ Participant Survey through October 31, 2013.

Furthermore, a qualitative study of the Opportunity Passport™ found that successful savers reported an enhanced sense of independence, a critical component to a successful transition to adulthood. Asset purchasers also shared that they had a more future-oriented outlook and a greater sense of responsibility.[6] These findings are supported by research in the broader asset field, which demonstrates that acquiring assets can have a multiplying effect. These assets strengthen and reinforce other positive outcomes that are important to their well-being.[7]

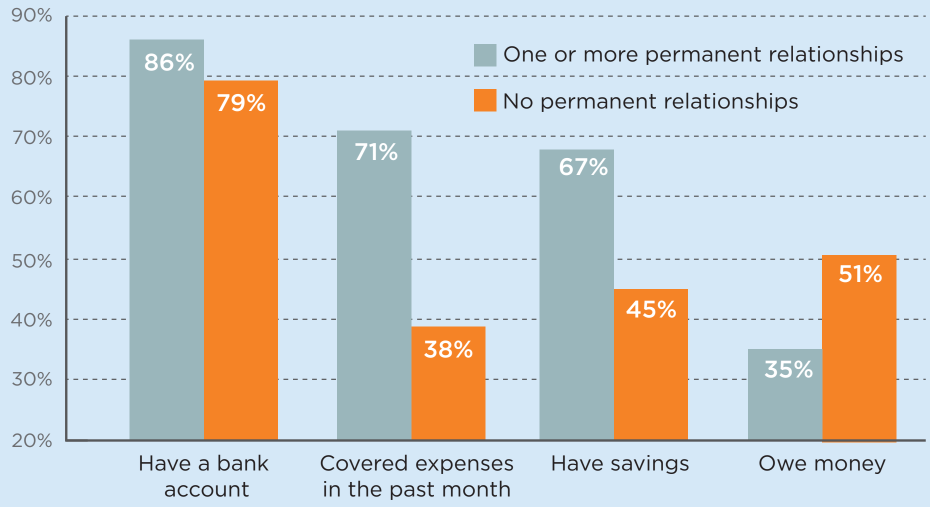
Asset purchases are helping the most vulnerable young people.

A common assumption is that the young people utilizing the Opportunity Passport™ are those who have the most supports around them and are already likely to be success-

6 Peters, C., Sherraden M., Kuchinski, A. (2012) "Enduring Assets: Findings from a Study on the Financial Lives of Young People Transitioning from Foster Care." St. Louis: Jim Casey Youth Opportunities Initiative.

7 Sherraden, M. (2005) Testimony for Hearing on "Building Assets for Low-Income Families," Subcommittee on Social Security and Family Policy. Washington: Senate Finance Committee.

Those young people with permanent adult relationships report stronger financial capability than those without. [8]



ful in their transition to adulthood. However, our findings tell us that it is actually the young people with the fewest supports who purchase assets most. Overall, 35 percent of Opportunity Passport™ participants have purchased an asset, as compared to 47 percent who are parents, 41 percent of those who identify as lacking a permanent family relationship family relationship,[9] and 40 percent of participants who were homeless at some point. When young people see these data, they are not surprised. They often report that the ability to save and purchase assets is a way to meet their essential needs of providing for their children or preventing homelessness.

Family and permanent adult connections support financial capability.

While Opportunity Passport™ participants without a permanent family in their lives are purchasing assets at a higher rate, it is critical to note that participants who report having a permanent adult in their lives are doing better on a number of other measures. Those with adult support are more likely to have a bank account, cover expenses in the past month, and have savings than those without adult support. They are also less likely to owe money. These findings underscore that permanent adult relationships matter deeply and should always be at the center of efforts to enhance well-being for youth in and transitioning from foster care.

From the Opportunity Passport™ to Broader Financial Capability: What Have We Learned that Can Inform Policy and Practice?

The Opportunity Passport™ demonstrates that provided the chance, young people can and will save money and purchase assets to help them achieve their goals. Like others serving vulnerable populations, we have continued to learn and improve our approach to building financial capability. Given the strong interest among policy makers in supporting young people transitioning from foster care

8 Data were obtained from the Opportunity Passport™ Data System for participants who took an Opportunity Passport™ Participant Survey between January 1, 2013 and April 30, 2013.
9 The Opportunity Passport™ Participant Survey asks young people "Do you have an adult in your family that you will always be able to turn to for support (for example, birth or adoptive parent, spouse, adult sibling, extended family member, legal guardian)?"

to adulthood, we are pleased to share some key lessons learned. With the help of young people and our local partners, we have identified the key components that make the Opportunity Passport™ successful:

1. ***Adult connections matter.*** Perhaps the single most important ingredient to financial success for young people is having at least one reliable and informed adult in their life to help them navigate decisions that have financial implications. Some adults in young people's lives may not be a positive influence or knowledgeable about financial issues. Positive adult relationships can help young people stay on track with their goals, avoid harmful financial products, and most importantly, face the inevitable bumps on the road to adulthood. Adult connections are also critical for success in other areas, including education, employment, housing, and health and mental health. Over time, Opportunity Passport™ partners have become ever more intentional and thoughtful about surrounding the participants with supportive, knowledgeable adults from the young person's existing network and the partner staff.

2. ***Asset development cannot be done in a vacuum.*** Successful efforts to build assets must integrate multiple strategies to assist young people, including:
   - Securing safe financial products with minimal fees;
   - Repairing credit issues and building credit;
   - Avoiding predatory lending and other financial products with excessive fees and penalties; and
   - Considering a wide range of options when making decisions about paying for education and housing.

3. ***Experience matters: financial skills cannot be learned in a classroom.*** Young people, like adults, need to know the basics about the financial implications of the decisions they make, but they also need to apply that knowledge in the real world and practice their skills. Too many programs place emphasis on classroom training and fail to support young people in the actual application of what they learn.

4. ***Young adults and their adult supporters need to capitalize on teachable moments.*** Certain moments in a young person's life present important opportunities to build financial capability. It may be when a young person receives their first paycheck, is preparing to buy a car, starts college, moves into their first apartment, or becomes a parent. These moments are different for each and every young person depending upon where they are developmentally and in their lives.

5. ***Adult financial capability efforts must be adapted for young people.*** More and more initiatives around the country aim to build financial capability for low-income adults, but it's important to recognize that young people are in a different developmental phase that makes their challenges unique. The Jim Casey Initiative has developed approaches specifically designed for young people in four ways:
   - Youth informed financial education curriculum – *Keys to Your Financial Future*[10] was written specifically for young people in foster care and was informed by youth in and transitioning from foster care. Young people helped shape the entire curriculum, including the topics, scenarios, design, and key quotes. The activities suggested in the course of study are very interactive and include games and other techniques to engage young people. It is also non-judgmental; for instance, the curriculum recognizes that some young people in foster care may want to save their money in a shoe box rather than a bank.

10 The *Keys to Your Financial Future* curriculum can be found at: *http://www.jimcaseyyouth.org/keys-your-financial-future.*

- Flexible approach to matched savings – Unlike the typical adult IDA that provides little margin for error, the Opportunity Passport™ is flexible enough to recognize that young people sometimes make mistakes, and that healthy adolescent development allows them to learn from those mistakes. A key component of the Opportunity Passport™ is that it provides adult oversight and guidance, which serves as a critical backstop when participants have questions or face tough decisions. Rather than penalizing the young person for certain actions—such as failing to meet savings goals or overdrawing on a bank account—adult supporters help them process how they could have done things differently and re-establish clear guidelines for how to use the matched savings account to further their goals.

- Youth-specific asset purchases – Matched savings for young people allows them to purchase the kinds of assets that are age-appropriate and important to their successful transition to adulthood. This may include something on the approved list of assets, such as books, cars, or apartments, but it might also include something that is unique to the individual young person. For example, a young person with severe learning disabilities may need an iPod in order to listen to recorded books for school. While an iPod may not seem like a necessary asset to most people, it is an important asset to this particular young person.

- Trained staff with specialized knowledge about youth development – Program staff serving adolescents and young adults need to understand their unique developmental stage. Adults who meet the young people where they are and work alongside them are more valuable than having adults with content expertise on a particular life skill.

6. ***Credit repair is critical.*** Many young people have had their credit compromised before they entered or while they were in foster care. Credit issues may be the result of identity theft or errors on credit reports, as well as a young person's misfortune with predatory lenders, inexperience with credit, or failure to pay their bills. Additionally some financial institutions, including "pay day" loan offices and some used-car dealerships, may encourage young people to sign agreements with terms that are difficult for them to meet and that lead to unfavorable credit scores. It is essential to help young people establish and maintain good credit and, when they make errors, to repair it. Doing so requires that young people learn how to track their credit scores, understand complicated credit reports, and work to build and maintain a strong credit history.

7. ***Community partners are essential.*** The Jim Casey Initiative values its many community partners who are critical to the success of the Opportunity Passport™. From the beginning, there have been banks, credit unions, credit counseling organizations and others that have embraced the chance to work with and support young people transitioning from foster care. Most importantly, these partners have helped to build young people's confidence in interacting with mainstream financial institutions. Yet finding and sustaining these valuable partners, and ensuring they offer financial products that are appropriate for young people, continues to be a challenge for local partners in Jim Casey Initiative sites. For instance, young people often express concern that money does not feel like their own when it is in traditional IDA bank accounts because withdrawals other than for a match are severely limited or not allowed. The key to success has been finding financial institutions that are flexible and creative in their approach, and are committed to creating a supportive environment for this particularly vulnerable group of adolescents and young adults.

8. ***Supportive peer relationships can make a difference.*** Involvement in the Opportunity Passport™ and similar financial capability efforts can help young people develop peer relationships that are supportive, motivating, and reduce the isolation they often

feel in navigating financial decisions on their own. While it is true that peers can exert negative peer pressure by spreading inaccurate information or pressuring young people into giving them money, the Opportunity Passport™ can help create positive peer pressure. Young people have told us that there is nothing more motivating than seeing a friend save money to buy their first car or rent an apartment.

Expanding the Framework of the Opportunity Passport™

Navigating the complex world of finances has always been difficult for youth in and aging out of foster care. At the same time, exciting new initiatives such as Cities for Financial Empowerment, efforts underway at the Consumer Financial Protection Bureau, and recognition of the importance of financial capability in federal legislation are helping to inform the next generation of the Opportunity Passport™.

Several new strategies are emerging that can help us realize even greater gains for young people transitioning from foster care. These include:

1. ***Credit building.*** One of the more difficult tasks for young people and adults alike is to build a strong credit history, particularly if there have been problems with credit in the past. For young people transitioning from foster care, it is essential to have a good credit score to be able to rent an apartment, enter into a cell phone or utility contract, or be hired for a job. Based on feedback from young people and their adult supporters, "Good Credit" was recently added as an Opportunity Passport™ asset category. Jim Casey Initiative partners are still exploring how to maximize this new opportunity for young people and are looking to learn from the credit-building field. For example, the Mission Asset Fund, based in California, has developed creative strategies that help young people build strong credit, such as offering them a loan for a deposit on an apartment and reporting payback of the loan to the credit bureaus. Other agencies have emerged that allow the reporting of rent and utility payments to credit bureaus.

2. ***Becoming and staying safely banked.*** It is important for young people to have bank accounts, but it is equally important for them to have support in understanding how to safely use the bank account to avoid being shut out of future mainstream banking products. Many low- and moderate-income individuals, including young people, have been reported to Chexsystems, which shares information with financial institutions about accounts that have been closed to help them make decisions about the risk of offering an account to an individual. Common mistakes young people make with their accounts include sharing a PIN with someone else who withdraws money from the account, writing a check for more than is in the account, or having checks bounce on a frequent basis. The *Keys to Your Financial Future* financial literacy training has been strengthened to better address these challenges. Opportunity Passport™ partners have also put in place resource people who can help young people rectify reports to Chexsystems that occurred before they became a participant or during their participation. Additional strategies to support young people in maintaining safe banking habits and rectifying any mistakes they may have made are essential.

3. ***Building more and stronger partnerships.*** Partnerships with other community institutions that understand the needs of youth transitioning from foster care are critical. For example, colleges can better understand that not every young person has a parent to help them navigate student loan promissory notes or complicated financial aid application forms. Similarly, employers can learn that some young people need support to weigh various options for how they deposit paychecks and withhold taxes. The Jim Casey Initiative continues to explore creative partnerships and solutions.

4. ***Financial coaching.*** Financial coaching is an approach that supports economically vulnerable individuals by pairing them with trained coaches to help them identify and achieve financial goals. Although there are many different models of financial coaching, most are geared toward a time-limited relationship in which individuals use this interaction to learn about financial issues, set individual goals, and experience being held accountable for financial decision-making to help them achieve those goals. Several Jim Casey Initiative sites are testing financial coaching for young people and adapting existing models to see what works best for those transitioning from foster care.

5. ***Child welfare systems that build financial capability.*** The Opportunity Passport™ is a single intervention that can reach many young people. However, this intervention alone will not create financial capability for all young people in foster care. Consistent with the overall system reform approach of the Jim Casey Initiative, we also believe that child welfare systems can and should promote financial capability as an outcome for all young people they serve. This strategy will require a focus on a broader audience that includes caseworkers, juvenile and family courts, biological parents, foster parents, and kin, all of whom can help young people learn how to manage their money and plan for the future.

6. ***Financial capability for other vulnerable youth populations.*** Many of the lessons learned through the Opportunity Passport™ can be applied to other populations of vulnerable youth, including young people who are homeless, in the juvenile justice system, pregnant and parenting, or living in poverty. In fact, many of those who have taken the most advantage of the Opportunity Passport™ are involved in multiple systems. At the Jim Casey Initiative, we are excited about the potential to grow and sustain a focus on financial capability throughout other youth-serving systems so that all vulnerable young people can take advantage of the opportunity to earn, save, accumulate assets, and build credit toward the end goal of becoming financially capable.

Policy Considerations

Young people transitioning from foster care face a myriad of challenges as they attempt to build a secure financial future, and these challenges have become even harder to overcome since the 2008 recession. Every day, the complexity of the financial sector grows, creating additional hurdles for a young person to overcome, new knowledge and competencies they need to learn, and another layer through which adult support is needed as they strive to become financially independent.

In recognition of these complexities, multiple efforts are being put in place to help the general population understand the importance of credit, homeownership, smart tax practices, and more. We can and must capitalize on these efforts to ensure they are focused on young people transitioning from foster care.

The Opportunity Passport™ provides over a decade of learning and adaptation about how to build the financial capability of young people who have experienced foster care. But to transition the Opportunity Passport™ from a specific intervention to systems-wide change—change that truly builds the financial capability of all young people in foster care—will require an intense, focused, and sustained effort at the policy level. Federal, state, and local policy makers, many of whom are already working to support young people transitioning from foster care, can contribute to this effort by considering the following:

1. ***Create and support asset-building strategies for young people in foster care.***
    - Help young people save and match for assets that are important for their future well-being, such as vehicles, deposits on housing, and school-related purchases; and

- Capitalize on asset purchases as teachable moments for building a broad array of financial skills.

2. Extend foster care benefits to age 21.

- Implement the federal option to allow young people to stay in foster care until age 21[11] to, among other things, help them navigate important financial decisions, such as student loans and first apartments; and
- Make building financial capability an explicit goal of the extension of benefits and integrate tools and strategies to provide young people with real world experiences in making key financial decisions.

3. Encourage child welfare agencies to connect young people to safe financial products with ongoing support and guidance.

- Help young people make decisions about the most appropriate bank accounts, credit cards, school loans, as well as other financial products; and
- Build partnerships with financial institutions and other community partners that understand the needs of young people transitioning from foster care.

4. Enhance the "financial management" component of Chafee foster care services.

- Ensure young people have real world practice with managing money while they are in and transitioning from foster care; and
- Use Chafee funding as a match for programs like the Opportunity Passport™, as is currently done in Connecticut, Indiana, Maine, Michigan, and Rhode Island.

5. Fully implement the federal credit check requirement.

- Ensure child welfare agencies are ordering credit reports from all three credit reporting agencies for young people in foster care who are 16 and older; and
- Require young people to be involved in the process of reviewing and, if necessary, repairing credit reports, and help them learn how to regularly check their credit scores.

6. Normalize the experience of children and youth in foster care so they have opportunities to build financial skills in the same ways as all other young people.

- Train foster families, kin, caseworkers, volunteers and other adults to help young people build financial skills;
- Provide young people in foster care with allowances so they can practice spending money in a supportive environment; and
- Promote part time and informal jobs (e.g., babysitting, lawn mowing) for young people in foster care.

11 As of July 2014, 21 states have extended foster care beyond age 18. Twenty of these states have extended benefits to age 21 while one state has extended to age 20.

Conclusion

Financial capability is but one of a larger set of outcomes—permanence, education, employment, health, housing, and social capital—that we are striving to improve for young people. The Opportunity Passport™ alone will not accomplish our organization's mission of all young people transitioning from foster care to a successful adulthood. We must continue to make progress across all of these areas.

However in today's world, financial skills are absolutely critical if young people are to become successful adults. Yet financial capability interventions have largely been missing from the array of child welfare services. The reality for most young people in foster care is that money is frequently exchanged on their behalf, yet there are few opportunities for them to practice the skills needed to wisely earn, save, and spend money.

The Opportunity Passport™ was designed to fill this void by helping young people save to purchase assets and navigate financial decisions with the help of adult supporters. The strategy has succeeded in helping participants learn positive financial behaviors that, in turn, have positively impacted their lives. We believe that the strategies and lessons learned can be applied to improve the financial capability of many more young people transitioning from foster care and also young people involved in other youth-serving systems.

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About the Jim Casey Youth Opportunities Initiative

The mission of the Jim Casey Youth Opportunities Initiative is to ensure that young people—primarily those between the ages of 14 and 25—make successful transitions from foster care to adulthood. We do this by working nationally, in states, and locally to improve policies and practices, promote youth engagement, apply evaluation and research, and create community partnerships. Our work creates opportunities for young people to achieve positive outcomes in permanence, education, employment, housing, health, financial capability, and social capital.

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