

When families build assets, the whole economy gains

By David Rothstein and Joel Ratner

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Northeast Ohio needs new ways to help families -- especially the most vulnerable among us who have the least -- build assets so they can grow and protect their incomes.

Asset-building strategies can be simple: a program that guides tax filers to buy savings bonds with their refunds, another that enables a college education savings account to be created in a child's name when she enters kindergarten, or another that directs a portion of a struggling family's income from public assistance directly into an automatic savings account.

A new coalition called Ohio CASH, a broad and diverse set of community partners, will support groundbreaking research and pilot programs that help families save. This new vision requires a comprehensive approach, linking together financial products and services, housing, community development, taxes and education. Promoting products, services and public policies that create and protect the assets of those with the smallest base enables them to reduce their economic vulnerability.

Creating ways to help families build assets doesn't just help them, it also builds the wider economy. Companies, for example, that set up direct deposit into savings or retirement accounts for lower-paid workers have less turnover. The returns flow to the employers and to the investors in those companies.

With our economy in a slow recovery from job loss, stagnant wages and home foreclosures, asset building is a low-cost, proven tool for economic development.

But this work requires leaders who are willing to convene, connect and advocate for quality products and services. The city of Cleveland and Cuyahoga County could take three cost-effective steps to help families build assets:

Bank On: Cities around the country are forming public-private partnerships known as "Bank On" programs to dramatically increase the number of households with checking accounts. Cleveland banks also offer saver accounts through Ohio and Cleveland Saves. According to the Federal Deposit Insurance Corp., more than 25 percent of Northeast Ohioans are un- or under-banked. New accounts should be low-cost and easy to manage to encourage new clients. Partnering with the banks and credit unions in this region is a logical step. Potential customers await.

Direct deposit: Employers and employees benefit from direct deposits. It reduces transaction costs to employers, and employees get paid a few days earlier. Studies show that employees receiving direct deposit save more, pay bills on time more regularly and have more secure finances. Additionally, employees do not need check cashers, which charge higher fees, to get their money. Cleveland and Cuyahoga County can lead the way by requiring direct deposit to all city and county employees.

Connect: The county has wisely invested in free tax preparation for low-income families, helping 8,000 families receive more than \$15 million in federal credits. But annually, millions of dollars more in federal tax credits and public benefits go unclaimed. Opportunities like Ohio's Save NOW and individual development account (IDA) programs are underused. That's income that could flow to family budgets and into this region's

economy.

Recently, 100 local community leaders gathered to hear Andrea Levere, president of the national asset-building think tank, the Corporation for Enterprise Development. Her remarks illuminated just how far behind we are in the area of asset building. This is why the hosts, Policy Matters Ohio and Neighborhood Progress Inc., are launching the Ohio CASH Coalition.

Its work will help the region, as Levere envisions, rebuild its middle class through smart, innovative and easy programs using investments, tax credits and deductions, public assistance and savings plans for education, retirement and housing. For decades, such assets helped workers move, and stay, in the middle class. The last three decades, combined with the downturn of the Great Recession, turned asset building instead into concentrated wealth for the wealthiest. Working families fell behind.

The CASH Coalition's efforts will help these families find creative and painless ways to save and nurture their incomes into a base that could be used for emergencies or education. As they add to their household wealth, they will take steps toward economic stability.

Their families will gain -- and so will the entire region.

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