

## Section 5 – Financial Capability Guide

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### How to Use This Guide

This short guide serves as an orientation resource for existing staff, as well as for incoming staff and new Family Supportive Housing (FSH) sites. OEO suggests walking through it with new staff members within their first thirty days of hire.

### What is Financial Capability?

There are many definitions of financial capability which all include a degree of knowledge, skills, and self-efficacy to make the best financial decisions in one’s life. Prosperity Now (formerly CFED) provides this succinct definition:

***Financial Capability:***

*Having financial knowledge, practicing financial skills and accessing financial products. These strategies provide on-ramps for families to get on the path toward saving and building assets.*

### What Are the Components of Our Approach?

The overall FSH program goal is to reduce the incidence and duration of homelessness through supports for families as they transition to and sustain permanent housing over time. The service coordination and case management components of the program serve to address the root causes of a family’s homelessness, promote resiliency for parents and their children, and build financial capability.

OEO provides learning and coaching support to support the integration of financial capability services. Support is tailored to the needs of an FSH site and offered this through a mix of statewide, regional, on-site, and telephone training and technical assistance centering on the three aspects of financial capability:

**1) Financial Knowledge**

Examples include topics such as predatory lending, credit scores, and financial tech apps.

**2) Financial Skills**

Examples include goal setting, identifying key priorities, and budgeting and tracking

### 3) Financial Products

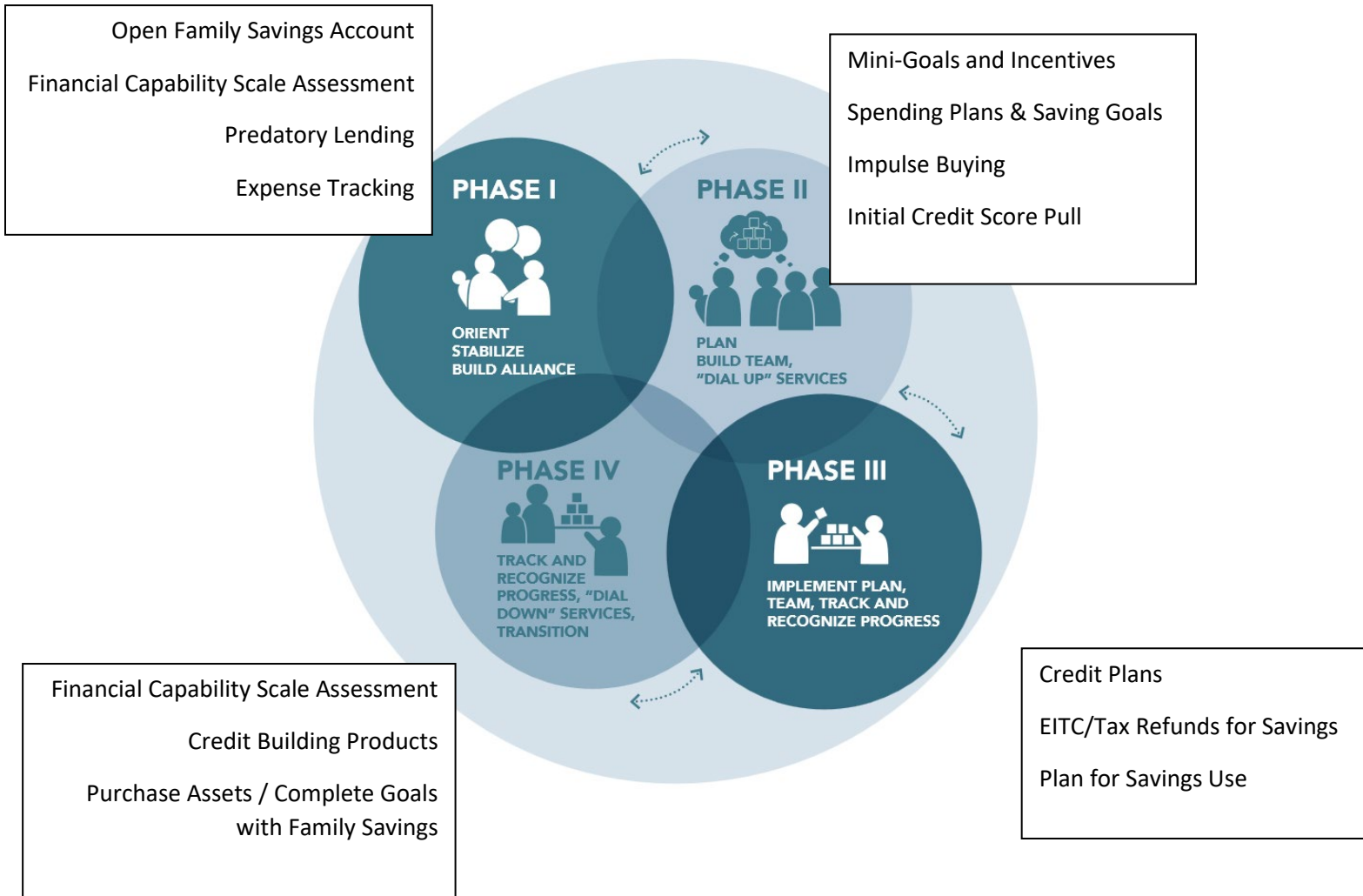
Examples include rent reporting, secured credit cards, and incentivized savings accounts.

#### Operating Guidelines

| FSH Sites   | OEO   |
|---|---|
| <ul style="list-style-type: none"><li>• Engage and participate fully in the learning community (regionally, at statewide meetings, and in webinars)</li></ul>                     | <ul style="list-style-type: none"><li>• Provide training via statewide and regional workshops and webinars</li></ul>  |
| <ul style="list-style-type: none"><li>• Work to identify and be proactive in sharing your and clients' learning needs to feel confident in the subject matter.</li></ul>          | <ul style="list-style-type: none"><li>• Work to address the learning needs identified.</li></ul>  |
| <ul style="list-style-type: none"><li>• Build the capacity of your organization and those of new team members by putting new knowledge, skills and tools into practice.</li></ul> | <ul style="list-style-type: none"><li>• Be available throughout the year for one-on-one technical assistance and coaching calls, and to help orient new sites and team members.</li></ul> |
| <ul style="list-style-type: none"><li>• Serve as a resource to other sites.</li></ul>   | <ul style="list-style-type: none"><li>• Connect and refer sites to one another to serve as ongoing community resources.</li></ul>   |
| <ul style="list-style-type: none"><li>• Work together with local Financial Coaching program to identify and develop banking products/services suited to client needs</li></ul>    | <ul style="list-style-type: none"><li>• Work together with site to identify and develop banking products/services suited to client needs</li></ul>  |
| <ul style="list-style-type: none"><li>• Establish a partnership with a local financial institution</li></ul>  | <ul style="list-style-type: none"><li>• Check in with each site monthly</li></ul>   |
| <ul style="list-style-type: none"><li>• Establish a partnership with a local financial education/coaching services provider for client referrals</li></ul>                        | <ul style="list-style-type: none"><li>• Provide implementation support for connecting and working with local partners</li></ul>   |

## Framework

The model below was adapted from [A Practice Framework for Delivering Services to Families in Supportive Housing](#). The four phases acknowledge that families have different needs at different points in time when looking at the “moving in” to “moving on” continuum. This framework serves as a way to identify the financial knowledge, skills and products that may be a good fit for families at each phase.



## Financial Capability Scale

The Center for Financial Security at the University of Wisconsin-Madison and the Annie E. Casey Foundation have developed the [Financial Capability Scale](#) as a tool to increase coordination across organizations and to support positive client impact. This short list of questions should be asked and recorded:

- At initial intake
- Annually in Quarter 4
- As families are transitioning out of services.

In addition to providing quantifiable pre and post evaluation measures, this tool can help prioritize where to start, and it should also be provided to any financial education providers as part of the referral process.

The assessment tool is included in Appendix L.

## Family Savings Accounts

### *Background*

The Family Savings Account is an incentivized savings account available to all families participating in FSH. As one low-income saver put it: “How do you learn to make financial plans for the future without actual money to plan with?” By linking saving to meeting goals, placing limits on early withdrawal, and providing incentives that encourage families to save regularly over an extended period of time, Family Savings Accounts are designed to help families develop new financial habits.<sup>1</sup>

OEO can support you with integrating savings into the rest of your work with families. Keep the following tips in mind when working with families who are new to saving:

1. Tie saving to a goal or goals.
2. Creating the habit of savings is more important than the amount saved.
3. The habit of saving is created by saving regularly.
4. It’s ok to save different amounts each time, but even better to start with a small amount that you absolutely know you can commit to, save that amount consistently, and build from there.
5. Figure out the starting amount by building a budget.
6. For new savers, orienting to saving weekly can work better than to monthly.
7. Savings builds faster when windfalls (such as incentives or tax refunds) are added to regular contributions.

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<sup>1</sup> *What Motivates Low Income Earners to Save Money?* Lenna Im and Camille Busette. Earn Research Institute, January 2011.

### *Who can participate?*

All families enrolled in the Family Supportive Housing program are eligible to participate during the time they are enrolled in the program. Opening a Family Savings Account and participating in the savings program is voluntary for families. To remain eligible for incentives and bonus funds throughout the savings program, families must only withdraw funds for the purpose of meeting financial goals agreed upon with the FSH coordinator. To encourage the habit of regular savings, withdrawals will be limited to once every six months. It is strongly recommended that families save for a year or more before making withdrawals to best support building the habit of regular saving.<sup>2</sup>

### *How does a family make contributions?*

Contributions can be any size. Contributions of \$10 or greater and periods of regular monthly savings will earn incentives and bonuses as described below.

Families should be able to make deposits in-person, by mail or online. Programs are encouraged to facilitate in-person deposits because it creates a stronger relationship between the financial institution and the family.

### *How will we help the account grow?*

Families can boost their savings through incentives and bonus funds. Families must keep savings accounts open a minimum of six months to qualify for incentives and bonuses. Families are eligible to receive up to \$850 during enrollment in the FSH program, as follows:

- **START SAVING BONUS:** Upon enrollment in the FSH program a Family Savings Account will automatically be opened for families with a deposit of \$60.
- **SAVE STEADY BONUS:** Families may earn an additional \$50 when they save every month for a six-month period while the account is open. This bonus may be earned twice, while the account is open. The amount of savings does not matter.
- **MATCHING FUNDS:** Families earn an incentive of \$30 for each month and a deposit of \$10 or more is made into the account.

### *What can families save for?*

At the onset, families must establish a savings plan in writing with their Service Coordinator. Goals may evolve over time and changes to the plan must be recorded.

### **Purposes for the Family Savings Accounts include, but are not limited to:**

- Emergency Savings for unexpected expenses (such as medical, car repair, etc)
- Savings to be used for credit building tools, such as secured credit cards and loans.
- Transportation/Car

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<sup>2</sup> *Accounting for the Role of Habit in Regular Savings, Caizilia Loibel, 7 May 2011.* This study of IDA program savings patterns finds that savings become “most regular between months 19 and 24”.

- Small Business/Self-Employment
- Post-Secondary Education or Job Training
- Employment-related goal (e.g., equipment, uniform, etc)
- Education/Enrichment Activities for Kids (e.g., costs to participate in school band or summer camp)
- Saving to settle debts that present a barrier to banking or credit building.
- Saving to increase use of financial products and services (checking accounts, IRAs, etc...)
- Other savings goals related to supporting family well-being.

**When a family is ready to use their funds:**

- Families can use savings (family & program funds) once every six months towards their savings plan; use of funds does not need to wait until graduation from FSH.
- The family must have completed financial training (through classroom or ongoing coaching) which includes goal setting, tracking spending, budgeting, banking, credit, and savings.
- Requests to use funds should be in writing and meet the stated purpose of the family savings plan.
- Any use of funds that includes program (incentive, bonus) funds must be made as vendor/third-party payments.
- If a family has graduated from FSH, the family has 90 days to use their funds.

*Research and resources*

- *What Motivates Low Income Earners to Save Money?* Lenna Im and Camille Busette. Earn Research Institute, January 2011.
- [Accounting for the Role of Habit in Regular Savings](#). Caizilia Loibel, 7 May 2011.
- Prosperity Now (Formerly CFED). <https://prosperitynow.org> . Good resource for learning more about savings models for low income families.

**Family Mini-Goals**

Setting short term financial goals and taking steps to achieve those goals are important stages of progress. We support these by providing incentives (in the form of a gas or grocery card) when families meet their goals. Each family enrolled in FSH is eligible to earn up to \$150 in Family Mini Goal Incentives.

The following may be helpful in creating a menu of services to help families decide which mini goals they would like to work towards to earn their grocery or gas card incentives.

## Setting Goals

- Complete one or more goal action plans using the Goal Cards. If there are pieces to each main goal, complete one or more of those.

## Spending

- Identify monthly income that is really coming in (from jobs, 3SquaresVt, borrowed money, selling something you own, birthday gifts, bottle money, found money, etc.). More important to get a real amount than to know the sources.
- Have a weekly conversation about money with your Case Coordinator for an entire month.
- Review household bills, whether any are overdue, and/or create a simple calendar of when bills are due each month.
- Add income into the calendar. Can bills or income be rescheduled to make things easier?
- Create a plan to pay off overdue bills.
- Create a simple system for organizing bills using a multi-pocket envelope.
- Discuss household roles about money management – who is better at managing details? Who is most interested in handling the money? Who is feeling strongest about the identified goals?
- Make a list of household expenses to track.
- Create/think through a complete tracking plan.
- Track one expense (food, cigarettes, or soda, etc.) for a week.
- Track one expense (food, cigarettes, or soda, etc.) for a month.
- Track all expenses for a week.
- Track all expenses for a month.
- No money to track? Practice by tracking minutes used on your cell phone.
- Discuss Wants versus Needs and/or Must Pay versus Could Pays
- Define household Must Pay versus Could Pays
- Budget for a week
- Budget for a month

## Credit

- Send for your free credit report at [www.annualcreditreport.com](http://www.annualcreditreport.com)
- Review the credit report with the service coordinator (alternatively, obtain the report and review it with a credit coach and discuss what you learn with the case coordinator)
- Make a plan for adding positive, active credit to your report to increase your score over time.
- Get an approximate score via Credit Karma
- Discuss how your score might help you with your future goals.
- Use your budget to figure out how much you can afford to put towards debt.
- Make a list of debts owed using an Excel worksheet.
- Identify the most important debts to repay.
- Create an action plan to begin paying on one (non-collection) debt.
- Get a secured credit card or credit building loan.

## Banking

- Obtain and review your [ChexSystem report](#). This report will show you the information that a bank uses when deciding whether to let you open an account.
- Settle a debt that is preventing you from opening a banking account.
- Open a new checking account.
- Open a new savings account.
- Set up direct deposit to save money.
- Start putting away money for retirement with an IRA, myRA or employer provided 401K.
- If you have a checking account or debit card, use the check register to record spending and keep the account balanced for one month.
- Set up online banking and learn how to use bill pay features.