Introduction and Acknowledgments

Thank you Margaret for your lovely introduction. Thank you for the invitation to speak before an incredible group of change agents joining us today. With esteemed colleagues like Ray Boshara and Michael Collins—whose advice and mentorship has deeply informed and influenced The Financial Clinic—I’m honored to be delivering these remarks.

And thanks, too, to Washington University and the Center for Social Development for hosting this powerful and thoughtful conference. Thanks especially to everyone in attendance today, and to those who are livestreaming, for your commitment to a more equitable American economy, for your focus on removing barriers to opportunity, and for advancing our shared mission of a more perfect and inclusive future for our children. It is a privilege to speak before all of you today.

But before I jump in, I’d like to take one more moment, and extend a deep gratitude to Margaret Sherraden and Michael Sherraden, but this time on behalf of my organization and our larger field.

For reasons that will become more clear as I share with you in greater detail the mission of The Financial Clinic to build financial security for America’s working poor, we all owe Michael and Margaret a world of appreciation for their groundbreaking scholarship, research, and accomplishments. Out of their vision for a better future, a field was forged. Truly, my final thank you!

Dwight’s Story

I’d like to begin by posing a request, perhaps a challenge. Please close your eyes, and take a moment to think of a financial goal. Something you want to accomplish. It can be anything you’re saving for . . . anything you want to happen that has a monetary value.

Everybody got one? Close enough? Great, hold on to that.

With this goal on the top of your mind, I’d like to tell you the story of a man named Dwight. My hope is not just that he inspires you as he does me, but that you might see yourself in Dwight.

For many years, the Clinic has partnered with a large reentry agency that also promotes alternatives to incarceration. Between our two organizations, it wasn’t hard to find a common interest in embedding financial security as a strategy to lower recidivism, but it was hard to have their front-line case managers incorporate financial goals into their community reentry plans.

But Dwight was a perfect example: Released from prison for a drug-dealing offense after 5 years, when pressed, he ambiguously outlined a wish to parlay his entrepreneurial instincts into self-employment—maybe by owning a barber shop one day. Unfortunately, with no credit history, and untold child support debt (his partner had a baby girl, Cynthia, while he was at an upstate New York correctional facility) that goal felt like more than a stretch.
The key would be for his reentry counselor to help Dwight monetize a shorter-term, but yet equally—what we describe at the Clinic—a forward-thinking, strengths-based, passionately held financial goal. And that had everything to do with his daughter.

We’ll come back to Dwight later, whose story illustrates the promise of this work.

**Foundations of Asset-Building Work**

In *Assets and the Poor* (1991), Michael Sherraden begins by noting the consequences that followed decades of miscalculations in welfare policy: He wrote “In the advanced welfare states of Western Europe and North America, social policies for the poor have been constructed primarily around the idea of income, that is, flows of goods and services.” This sets up a key point: The importance of holding assets, not income, is the key to framing solutions that alleviate poverty.

A purely income-oriented approach to poverty—which Dr. Sherraden argues, and with which I wholeheartedly agree, that we have presently failed to transcend—has largely excluded the concepts of savings, investment, and asset accumulation as attainable possibilities for all families and communities. In fact, the same concepts that drive financial planning and wealth management for higher wealth brackets are equally applicable to families on the other end of the income spectrum. Moreover, the failure to include these concepts in building sensible policies has had the unintended consequence of minimizing our ability to understand how these outcomes areas in personal finance can inform larger breakthroughs.

Nearly 30 years after the publication of this groundbreaking work, we at the Clinic continue to witness firsthand our nation’s failure to embrace these concepts into its vision for combating poverty. And yet, our customers—and their outcomes in which we have played a small role—are a testament to the power of such a forward-thinking, strengths-based, and passionately held approach to combating poverty.

**The Pervasiveness of Financial Insecurity**

The journey from financial insecurity to security, and eventually, mobility—often romanticized as the American Dream—far too often ensnares people at the insecurity stage. This is especially true for the communities and neighborhoods that have historically been marginalized and deliberately excluded from the traditional pathway towards prosperity. Fraught with debt and credit crises, alongside a myriad of predatory products and lending practices, many Americans feel a sense of stigma and shame about their economic status. For them, financial insecurity is a daily reality that involves navigating a world in which their everyday needs are at the mercy of so many unjust variables beyond their control.

This world gets even more complicated the deeper you dive into the intricacies of financial insecurity. From medical debt to students loans, predatory loans to tax scams, and banking blacklists to mismanaged credit reporting, how “expensive it is to be poor” is a daily reality for far too many Americans.

It is also a reality that as practitioners, we must work to address financial insecurity and embed solutions into our existing programs, because its pervasiveness has consequences across the spectrum of human services. Through our shared professional experiences, we all know how the lack of a credit history can be a barrier to securing a quality job. We can all relate with domestic violence advocates whose inability to resolve financial entanglements can make it that much more difficult for survivors to leave an abusive and violent relationship. We can find parallels in our own work with the foster care field, in which the absence of a relationship with a financial institution can impede independence. As practitioners, we can appreciate how financial service offices at community colleges readily point to the perils of when there are more semesters than a loan can cover.

Building financial security is going to require more than higher wages. It’s about establishing—and ultimately, achieving—measurable outcomes that reduce harm, diminish barriers, and accelerate how working Americans living in poverty move closer to mobility and a future we all deserve.

**The Three Iterations of the Asset-Building Field**

If our current moment—against the backdrop of some major political and cultural changes—represents a turning point, let us first reflect on where we’ve been. In the course of the Clinic’s trajectory to date, I’ve come to see the growth of the asset-building field in three broad iterations of our learning and understanding: (1) an exponential growth of research that deepens our understanding on the causes of financial insecurity; (2) the emergence of financial coaching as a powerful heir to asset building’s mantel; and (3) the promise of scaling financial security’s impact by democratizing the solutions with all human service practitioners in every antipoverty effort.
Growth in research

Starting back at the top, the first iteration involves, quite literally, the Clinic’s first business plan. During the initial drafting, all of the academic research, intermediary reports, and various New York Times articles I cited—justifying a focus on working poor people’s personal finance—could fit into one paper file folder. The research environment, up to that point, was mostly, and justifiably, concerned with fighting the central battles of the third-way era: Correcting the mistaken belief that a generous and humane welfare state would reduce labor force participation and hinder personal responsibility.

The founding of the Clinic was rooted in lawmakers’ historical failure to build meaningful welfare policy and understand that an unwillingness to work was not a driver of poverty. As we all know, work and poverty coexist, an astounding and unacceptable reality, especially given what America is truly capable of.

Thus, I embarked on a path to broadly work within human service efforts holistically, but most specifically to advocate for working poor people. For those who had been unfairly—and I would argue, deliberately—categorized as financially secure just because they had a job.

Today is a very different landscape. A growing number of dynamic leaders are forging new boundaries of a rapidly growing field:

- Renewed intermediaries shaping national conversations about the devastating role of institutional racism;
- Emerging government agencies helping bureaucrats understand that poverty isn’t only a matter for the public welfare agency;
- Nonprofits banding together to increase financial inclusion through technology-driven platforms;
- Philanthropy raising our expectations for evidence-based and results-oriented interventions;
- And of course, thousands upon thousands of community-based organizations leveraging their expertise for new practices and products that scale or replicate their success.

And from robust research on the hardships of working poverty, we are awash with groundbreaking insights from thought leaders such as Raj Chetty, Darrick Hamilton, Frederick Wherry, Michal Grinstein-Weiss, and many more. They are owed our gratitude for not only deepening our understanding on the causes of financial insecurity, but informing policies and solutions that accelerate financial security and mobility.

Financial coaching

My understanding of the asset-building field’s second iteration is fundamentally intertwined with the Clinic’s programming and approach to direct services, in which financial coaching has become a powerful heir to asset building’s mantel.

The poverty alleviation field is becoming less and less a collection of band-aids attempting to cover up a much deeper wound. Instead, we built our outcomes framework for financial coaching, quantified by assets, banking, credit, debt, taxes, and financial goals. In all cases, the goal must be the driver.

Without it, we would never have the lasting impact we knew a behavioral approach would have. One that focused on centralizing what a customer would move mountains for; then working backwards and developing an action plan accordingly.

As Mauricio Lim Miller describes in his book The Alternative: Most of What You Believe About Poverty Is Wrong (2017), when he was challenged by Governor Jerry Brown to come up with a plan to spend a $10 million antipoverty grant, he replied, “I would challenge those families to show us what they would do to build their own lives.”

At the Clinic, we call this approach the “but for” litmus test: “But for” the debt or credit problem that caused you to seek us out, what does your future look like?

- “Well, if it wasn’t for my massive student loan debt, I might be able to start a catering business.”
- “If it wasn’t for my terrible credit, I would have been approved for a new apartment a long time ago.”

These are the voices of America’s poor who, “but for” an immediate financial crisis, are more than capable of applying their own strengths towards building their own assets.

In 2015, a randomized control trial (Theodos et al., 2015) that studied and measured the effects of financial coaching for low- to moderate-income families, including the Clinic’s model as well as a United Way program, affirmed our faith in the power of financial coaching. Commissioned by the Consumer Finance Protection Bureau and conducted by the Urban Institute, this “gold-standard” evaluation found that customers with annual incomes of $22,000 who participated in our financial coaching achieved and average of:

- $1,700 more in savings,
- a 33-point increase in their credit score, and
- over $1,000 reduction in debt.
Critically, it found significantly higher confidence levels when study participants were asked about the prospect of reaching their financial goals. This gets at the heart of why we do what we do, and why we’re so passionate about its value in today’s discourse on poverty alleviation.

**Democratizing solutions**

The third iteration brings our chronology more to the present, as well as a resolute vision for our shared future.

Elated and now armed with the knowledge that financial coaching was more than “boutique”—an early critique—but rather a proven method for addressing financial insecurity, we pivoted quickly to our goal of disseminating and embedding the approach within other human service sectors.

In addition to the study, two stark realities galvanized us:

- Financial insecurity is pervasive. The root causes and conditions of poverty affect all social issue areas.
- There just isn’t enough funding to get a financial coach for everyone who needs one.

But by streamlining and democratizing the solution, we arrive at the enormous potential for human service practitioners to produce similar outcomes nationwide, while broadly providing a blueprint for how systems combating poverty can be strengthened.

**The Financial Security Ecosystem**

The U.S. Department of Labor reports that there are 1.8 million workers on the front lines of antipoverty work. My vision is that every one of them have a financial security tool, product, or practice in their arsenal that informs their unique mission and meets their customers where they are. Imagine a social service universe in which:

- Job developers had all the tools they needed to spot credit problems
- Domestic violence advocates had practices in place to screen for financial abuse
- Child protective workers had products that helped them guard foster care children against identity theft
- Community college counselors readily and effectively paired financial goals with career goals

The real promise for this work to truly scale the impact of the field’s first rigorous evaluation is ultimately in building partnerships with other human service sectors and organizations, understanding their needs, and advancing a framework that helps them accelerate mission.

When we pair those case managers, advocates, and counselors with an on-site financial coach, and leverage that expertise for systems change, we have arrived at the Clinic’s flagship program, the “financial security ecosystem.” We’ve created and launched several ecosystems to embrace, and ultimately propel—drawing on what the business community calls—“dynamic and co-evolving communities of diverse actors who create new value through increasingly productive and sophisticated models of collaboration” (Kelly, 2015).

While we eagerly await offers from our research friends on an independent evaluation, the data from our first fully completed ecosystem with a group of workforce development organizations in New York City could not be clearer:

- We’ve helped our partners’ build their participants’ financial security, which correlated with better workforce outcomes, including increased placement rates and starting wages.
- We’ve also focused on program sustainability: helping tweak job descriptions, raise grant funding for on-staff financial coaches, and invested in marketing materials that showcased their new strategies.

For the purposes of my role here today, I’d like to focus on the advances the ecosystem makes for the human service practitioners. Direct service providers are essential to the success of an ecosystem, but they are often but for one paycheck away from the people they help.

So it is critical that embedding strategies start and flourish with practitioners. To that end, we were thrilled that job developers and career coaches in the eight nonprofits in our first ecosystem built their own financial security in the following ways:

- More than half started or made adjustments to their personal spending and savings plans.
- Just less than half started or increased their contributions to retirement savings.

We were particularly pleased that:

- The overwhelming majority of workforce practitioners created an auto-deduct feature to their savings—36% increase from start of program—and
- More than half felt “very confident” that they would reach their financial goal, a 20% increase from the start.
The intricacies of this multifaceted ecosystem approach have a demonstrated ability to amplify outcomes and together accelerate mission. This work is not only scalable, but can lead to an equitable future for every American. But it will require us to be forward-thinking, strengths-based, and passionate—and perhaps in some cases angry enough at the collective failures of our past—to make it happen. We are capable of developing meaningful policy at all levels that takes these outcomes and achievements into account when reimagining the responsibility that government has for combating poverty.

Conclusion

To close, I want to share with you two questions we are asking ourselves as we build these ecosystems of financial security nationally, and ask you to join us as we seek the answers. I’ll also circle back to Dwight’s story.

The first question:

As we arm human service practitioners with tools and resources to help their customers build financial security, how do we help them to also think like financial coaches?

We know that an asset orientation to poverty alleviation is immensely powerful, but where practitioners are traditionally trained to solve problems, it’s understandable that they might fall short of leveraging all of their constituents’ assets. These assets are not just monetary, but inherent strengths relating to their strong relationships with their communities, love and devotion to their family, and their dreams for the future.

Our collective mission must include helping traditional antipoverty professionals shift from a case-management, problem-solving approach towards a holistic, action-based outlook.

The second question:

How can we help practitioners honor the communities we all care about as the preeminent “experts in their own lives,” as Mauricio Lim Miller (2017) notes?

There is no greater strength than our customers’ financial goals: their forward-thinking, strengths-based, passionately held vision for their own future. As my team continues to work with thousands of practitioners across the country, we strive to help case managers, advocates, and counselors hold their communities own vision for the future as their greatest strength.

Focusing on our communities strengths and honoring them as the experts that they are is an organizational, field, and cultural change that the Clinic certainly isn’t going to resolve on its own. With that in mind, it is my hope that you might be so inspired to join us in answering these two questions.

Dwight, revisited

So now, I’d like to close where I began, and finish the story of our friend Dwight.

But first, I want you to ask again about the financial goal I asked you about. When you first called it to mind, did it give you a sense of dread? Did you mentally roll your eyes, because it’s overwhelming? If so, than I’d like to suggest that you might want to examine whether you can hone in on something that is more actionable:

- Is your goal rooted in a problem of your past, or does it reside in an opportunity in your future?
- Does it leverage your strengths, including the intangibles?
- Are you passionate about it? Would you move heaven and earth to make it happen?

Dwight too had outlined an ambitious—but at least 10-year-out financial goal—so his reentry counselor worked with him to develop an action-based financial goal because it’s forward-thinking, strengths-based, and passionately held. This had everything to do with his daughter, Cynthia.

Whether it was her dimples or her braids from the pictures he shared in his financial coaching sessions, it was clear that Dwight was enamored with Cynthia, who had just started pre-kindergarten. He wanted to be a part of her life, not only making up for his absence, and there was no better manifestation of his dedication to turn his life around than being a parent, a father, a dad.

Cynthia was turning 5 in a few weeks, and I’m not sure about St. Louis—perhaps its New York City’s new universal pre-k—but 5-year-old in-school birthday parties can be a big deal. Dwight was adamant about giving Cynthia a perfect birthday party that every 5-year-old child deserves.

With the help of his coach, they created a budget: $36 for two pizzas; $10 for juice boxes; $75 in grab bags; $15 balloon bouquet = $136. Working backwards from Cynthia’s pre-k birthday party was an action plan that perfectly exemplifies the promise of this powerful work:
• The seemingly insurmountable challenges of financial insecurity;
• The tangible impact of financial coaching; and
• The promise of embedding those strategies into all human services.

In accomplishing that goal, Dwight not only deepened the asset that was his burgeoning relationship with his daughter, but he also defined himself as a saver—thereby facilitating his trajectory to becoming a small business owner.

I hope you’ll agree with me that this is the absolute essence of asset-building.

Ultimately, our ability to tap into strengths and expertise like Dwight’s will be the key driver of lasting, sustainable change in building financial security for the families and communities we have dedicated our professional lives to serving.

I hope, too, that you’ll ultimately agree we have in our capacity an extraordinary opportunity to redefine what “asset building” means. Let us join in looking confidently towards the future, and boldly write the most inclusive chapter of the American Dream together. Together, we will build the type of future that Cynthia, alongside my three daughters, deserve so completely.

Thank you for letting me share our stories with you this afternoon.

References


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