

Policy Recommendations for Meeting the Grand Challenge to Build Financial Capability and Assets for All

Increasing financialization in the 21st century has made everyday financial life much more complex than it once was. To achieve economic well-being today, one must be financially capable. This means that one must have financial skills and knowledge as well as access to appropriate financial products and services.¹ In addition, households must have assets. As the proportion of individual income generated from accumulated assets grows, assets play an increasingly important role in long-term financial security.² Unfortunately, many people face enormous obstacles in conducting financial affairs and building assets. This is especially so for the young, racial and ethnic minorities, people with low income, and other financially vulnerable groups.³ Lack of financial capability and assets has profound effects on the potential for development and intergenerational well-being. The task of building financial capability and assets for all—and particularly for vulnerable populations—is a grand challenge for social work. This brief presents four recommendations for addressing the grand challenge.

Recommendation 1:

Support a Strong Consumer Financial Protection Bureau (CFPB) to Help Ensure the Transparency, Safety, Fairness, and Affordability of Financial Products and Services

The CFPB was formed under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 to ensure that financial services markets treat consumers fairly by implementing and enforcing consumer financial laws. For example, CFPB ordered a major bank in 2015 to pay consumers \$700 million in relief due to illegal credit card practices. The bureau released proposed rules on payday and auto title loans designed to prevent consumers from falling into debt traps created by these products.⁴ In addition, the CFPB gives consumers opportunities to voice complaints and invites comments on its rule making. Social work efforts to promote financial capability and asset building at the individual, household, and community levels must be matched with the legal and regulatory structure offered by CFPB to ensure that financial products and services are safe and affordable.⁵

Recommendation 2:

Start Lifelong Asset Building With Universal and Progressive Child Development Accounts (CDAs)

Low- and moderate-income families lack opportunities to accumulate assets, and they benefit little from existing tax subsidies for asset building.⁶ Because of the key role of assets in creating opportunities for children and buttressing household security, we recommend that each child receive a CDA at birth. By design, CDAs are lifelong savings or investment accounts intended to accumulate wealth for long-term developmental purposes such as postsecondary education, homeownership,

business investment, and retirement. Because the accounts are to be opened automatically for all children, they will be universal. They will be progressive in that the CDAs for children from low- and moderate-income families will receive financial subsidies.⁷ Experimental research results demonstrate that universal and progressive CDAs can achieve the goal of full inclusion, reduce asset inequality early in life, and improve children's early development.⁸ Assets accumulated in CDAs should be exempt from the asset limit caps of social assistance programs. Efforts are underway in some states to provide a CDA for each child,⁹ and proposed federal legislation for CDAs has received renewed attention in the U.S. Senate.¹⁰ The next step is to make CDAs available for children of all socioeconomic backgrounds so that they may benefit from asset building.

Recommendation 3:

Create a Web-Based Financial Capability Gateway to Build Financial Capability for All

Disadvantaged families are likely to be excluded from mainstream financial services due to low financial knowledge and skills, insufficient financial information, complex and confusing financial products, and lack of access to financial products and services. To address these issues, we propose a web-based *Financial Capability Gateway*, a public platform that would reach everyone. To be created by a coalition of federal agencies, the Gateway would have four functions. First, it would *synthesize all individuals' financial records* from their financial service providers in one place, allowing them to organize, track, understand, and manage their financial transactions, and evaluate their overall financial well-being. Second, it would *streamline access* to financial services through automatic enrollment and other strategies. Third, it would *improve financial knowledge and skills* by providing customized, client-oriented financial education supported by a coordinated and integrated system of financial guidance. Fourth, it would *empower consumers* by facilitating constructive interaction with policy makers and financial providers, enabling consumers to share feedback on policy, regulations, and products. Technological developments in Internet finance and big-data analysis suggest that a Financial Capability Gateway is feasible. Several functions are already available to paying customers, but access and security must be addressed. The next steps are to develop the design, features, and implementation strategies for this web-based Financial Capability Gateway.

Recommendation 4:

Prepare Social Workers and Human Service Practitioners to Build Financial Capability and Assets for All

Future social workers and other human-service workers must have knowledge and skills if they are to increase the financial

functioning of vulnerable populations and to surmount the barriers that prevent these populations from acquiring financial capability. These efforts will require practitioners to collaborate directly with the people they serve. In recent years, social work education has begun to respond.¹¹ However, much more is required to build practitioners' knowledge and skills in a range of financial topics, including income generation and support, asset building, financial inclusion, financial literacy, and financial guidance. Practitioners should play key roles in developing policies and programs that build economic and financial well-being. The next step is to integrate content on financial capability and asset building into the professional curriculum.

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End Notes

1. Sherraden (2013).
2. Cynamon and Fazzari (2014).
3. Lusardi (2011); McKernan and Sherraden (2008).
4. Lim et al. (2014); Kirsch, Mayer, and Silber (2014).
5. Birkenmaier and Tyuse (2005); Caplan (2014).
6. Steuerle, Harris, McKernan, Quakenbush, and Ratcliffe (2014).
7. Beverly, Clancy, and Sherraden (2016).
8. Beverly, Clancy, and Sherraden (2016).
9. Clancy and Sherraden (2014).
10. ASPIRE Act (2010); King (2014).
11. Birkenmaier, Kennedy, Kunz, Sander, and Horwitz (2013); Frey et al. (2015); Sherraden, Birkenmaier, McClendon, and Rochelle (in press).

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