Center for Social Development

GEORGE WARREN BROWN SCHOOL OF SOCIAL WORK

UNIVERSITY of MARYLAND
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FINANCIAL SOCIAL WORK INITIATIVE

Financial Capability & Asset Building: Abstracts presented at the 2015 Convening

The following are abstracts of papers presented at the 2015 FCAB Convening "Advancing Education, Research, and Practice in Social work." The abstracts appear in the order they were presented.

Perceived Financial Capability and Savings Practices Across Low-Income Families in Canada

David W. Rothwell, Mohammad N. Khan, and Katrina Cherney

Recently, there has been a proliferation of studies examining financial capabilities and saving behaviors of families with low incomes. This paper uses restricted data from the nationally representative 2009 Canadian Financial Capability Survey to investigate variations in saving practices across low-income family types (N = 15,519). Four savings outcomes were studied: savings account ownership, Registered Education Saving Plan (RESP) ownership, positive financial assets, and total financial assets. Survey data were merged with data on provincial asset-limit restrictions for social-welfare assistance eligibility and maximum benefits. We find that low-income families (defined as those with income less than 60% of the median equivalized household income) are less likely than middle- and upper-income families to save. Across low-income family types, couples with children are less likely than other family types to save. After controlling for demographic and socioeconomic factors, perceived financial capability has a statistically significant, positive relationship with savings and financial assets but not with RESP ownership. Provincial asset limits are negatively associated with savings, although the association is not statistically significant. Findings highlight that perceived financial capability is an important psychosocial dimension of savings. More research is needed to fully understand the impact of social welfare policies such as asset limits.

Coming of Age on a Shoestring Budget: Associations Between Financial Capability and Financial Behaviors of Lower-Income Millennials

Stacia West and Terri Friedline

Lower-income Millennials must make a number of important financial decisions that will ultimately affect their future financial well-being. With limited resources, this population is at risk for acquiring too much debt or being unprepared for a financial emergency that can send them further into poverty and constrain their ability to leverage resources for future economic mobility. Though financial education is often the "go-to" intervention for promoting healthy financial behavior, this approach may be insufficient for improving lower-income young adults' behaviors. A financial capability approach (e.g., an intervention that combines financial education with inclusion via financial products like savings accounts) may be more effective at improving healthy financial behaviors. Using data from the 2012 National Financial Capability Study, this study examines the relationship between financial capability and the financial behaviors of lower-income Millennials aged 18 to 34 years (N = 2,578). Compared to being financially excluded, lower-income Millennials who were financially capable were also almost 100% more likely to afford an unexpected expense, 103% more likely to save for emergencies, and 42% less likely to carry too much debt, resulting in greater overall financial satisfaction. Interventions that develop lower-income Millennials' financial capability and address income insufficiency may be effective for promoting healthy financial behaviors.

Washington University in St. Louis

Financial Knowledge, Financial Inclusion, and Economic Strain Among Low-Income Parents of Young Children

Deborah Adams and Alegnta Shibikom

Financial capability is a construct that is thought to include both financial knowledge and financial access. We test this conceptualization using longitudinal data from 664 low-income parents of young children. Our outcome of interest in this paper is perceived economic strain. The two key independent variables in this analysis are financial knowledge and financial access as measured by bank account ownership. Other measures in our study include the interaction between financial knowledge and financial access, household income, and homeownership. Our initial findings suggest that financial access explains more of the variance in economic strain than financial knowledge for our sample. However, in tests of more complex models, we find that the interaction of financial knowledge and access is quite important in understanding economic strain. This finding supports the conceptualization of financial capability as a construct that includes both financial knowledge and financial access. Furthermore, the role of homeownership helps explain economic strain among our sample of low-income parents of young children, consistent with assets theory. Implications for social work practice with low-income families are discussed.

Education Loans and Financial Balance Sheets Among Black and Hispanic Young Adults

Min Zhan and Xiaoling Xiang

Use of education loans as a way to finance college education has grown rapidly, with minority students and their families being particularly burdened with education loan debt. Given the rising education loans and the racial/ethnic disparity in wealth accumulation, it is timely and important to examine how education loans affect the ability of future wealth building among minority households. This study examines the association between education loans and financial balance sheets among Black and Hispanic young adults aged 30 years by analyzing data from the 1997 National Longitudinal Survey of Youth. The results from a treatment–effects model indicate that having education loans is negatively related to net worth and nonfinancial assets at age 30, after controlling for respondents' demographic characteristics, years of education, and working hours. The relationship between the amount of education loans and indicators of financial balance sheets, however, is not statistically significant among the Black and Hispanic young adults with outstanding loans.

Financial Capability and Material Hardship Among Mothers with Young Children

Jin Huang, Yunju Nam, Michael Sherraden, and Margaret Clancy

Based on the theoretical framework of financial capability, this study investigates the roles of financial access and financial knowledge in reducing the risk of material hardship through the mediation of financial management among mothers with young children. We use the sample ($N = 2{,}536$) from SEED for Oklahoma Kids, a statewide policy experiment offering Child Development Accounts. Results of Structural Equation Modeling (SEM) analyses show that financial access is positively associated with financial management ($p < .01$) but financial knowledge is not ($p = .83$); both financial access ($p < .01$) and financial management ($p < .01$) are negatively correlated with material hardship. Similar results are obtained from a subsample of low income mothers. One different finding among middle- to high-income mothers is that financial knowledge is also positively associated with financial management ($p < .10$). Study findings suggest that financial capability, particularly financial access, is critical to improve financial management and reduce the risk of material hardship for mothers with young children, including low-income mothers. Social work education on financial capability should include not just financial education and knowledge but also financial access. In addition to financial education, the concept of financial access provides a different intervention point for social work practices.

The Influence of Parents on Youth's Access to Financial Services in Ghana

Shiyou Wu, Mathieu R. Despard, and Gina Chowa

Parents play an important role in shaping youth's financial capability (i.e., financial knowledge and skills and access to financial services), which may facilitate transitions into adulthood. This study examines a sample of youth and parents enrolled in the YouthSave experiment in Ghana (N = 4,065) to determine whether physical access to financial services and/or visiting banks with parents or other family members was associated with youth's perceptions and understanding of financial institutions. We found a statistically significant association between financial service experience with a parent or other family member and youth's attitudes ($p < .01$) and understanding of financial services ($p < .001$), controlling for other factors such as household income and assets. Conversely, physical access (i.e., distance, travel time) was not associated with financial services attitudes or understanding. Practitioners and policymakers should consider ways to include parents in efforts to promote financial capability among youth.

Child Welfare Caseworkers Administering Asset-Building Programs for Foster Youths: Three States, Four Sites, and Many Challenges

Clark Peters, Margaret Sherraden, and Ann Marie Kuchinski

This study explores the role child welfare workers play in elevating the financial capability of foster youth transitioning to adulthood. It draws on an examination of Opportunity Passport™, a component of the Jim Casey Youth Opportunities Initiative, which operates across the United States. We held in-depth, structured interviews with eight staff and 38 current and former foster youths aged 18 years and older in four sites across three states. Findings indicate that (1) program participants require professional financial assistance that is beyond the role of the traditional child welfare caseworker; (2) caseworkers who address financial capability in young adults face uncertainty in their roles; and (3) broader policies relevant to young adults transitioning to adulthood exhibit tension, if not conflict, regarding enhancing financial capability. Resolving these tensions and expanding the role of caseworkers who serve these foster youth is essential.

From Being Unbanked to Becoming Unbanked: Community Experts Describe Financial Practices of Latinos in East Los Angeles

Larissa A. Padua and Joanna K. Doran

Accumulation of assets promotes financial stability among individuals and families. Appropriate use of financial institutions, in turn, serves as a mechanism to facilitate savings and ultimately asset building. Though 8% of the general U.S. population is unbanked, rates of unbanked Latinos are more than double (20%), even higher for immigrants who earn lower incomes. In this cross-sectional qualitative study, we interviewed 37 community experts for their expertise with the low-income Latino and immigrant community of East Los Angeles. The community focus reveals a negative feedback cycle. Intergenerational transmission of mistrust in financial institutions is a significant barrier to becoming banked. The absence of financial education in public schools leaves the community members who nevertheless venture into banking with insufficient knowledge to maintain accounts in good standing. Becoming unbanked is not uncommon, and the experiences of community members who are locked out of traditional financial institutions compound the community's initial mistrust. This makes financial inclusion a more distant prospect for the next generation.

Financial Knowledge and Behaviors of Chinese Rural Migrant Workers: An International Perspective on a Financially Vulnerable Population

Zibei Chen and Catherine M. Lemieux

China has seen unprecedented economic change over the last decade. This paper examines financial literacy and behaviors of Chinese rural migrant workers, a financially vulnerable subpopulation. Researchers interviewed and collected survey data from 329 workers, and results show a low overall level of financial knowledge (51.4%). Respondents reported engaging in approximately half (51.0%) of beneficial financial behaviors, and financial knowledge and behaviors were weakly correlated ($r = .26$). The majority of respondents (67.1%) demonstrated a favorable attitude toward money management. Primary sources of financial knowledge included family and friends (46.6%), social media (37.8%), and personal experience (35.3%). Results of multivariate analysis showed that relevant predictors explained 19% of the variance in workers' financial behaviors ($R2 = .19$, $p < .001$), with financial knowledge, attitude toward money management, income, and marital status explaining a significant proportion of the variance. Findings underscore the importance of disseminating culturally-relevant educational interventions to financially at-risk, low-paid workers.

Exploring Financial Capability of Income-Poor People in India

Mahasweta M. Banerjee

A lack of financial capability—financial opportunities and abilities—and poverty are highly interlinked. This paper explores financial capability of income-poor people in India through a qualitative study. Using purposive sampling, data were collected from 658 individuals in focus groups and individual interviews. Findings show that 55% of the respondents had the opportunity to earn through financial inclusion programs, and 87% earned less than $2 USD/day. Almost all saved, but 46% saved in formal accounts; 62% needed to borrow, but only 23% borrowed from formal sources. Women had less financial knowledge than men, but both had some financial skills, particularly with regard to saving. Implications are discussed.

The Effects of Sociodemographic Factors on Financial Capability Among Poorer Households in the United States and Kenya: A Cross-Cultural Study

David Okech and Waylon J. Howard

Understanding the effects of sociodemographic factors on financial capability is key to enhancing the general economic well-being of poorer households. This study assesses financial capability, economic strain, and purchasing behavior in a sample of lower-income, lower-assets participants in Kenya and the United States. Results indicate a significant age by gender interaction on the U.S. group, ($\beta = .032$, $p < .001$). The conditional effect of gender on financial capability at the average age ($M = 43.80$) was -.101 and nonsignificant ($\Delta\chi 2SB\ (1) = .37$, $p > .05$), at one standard deviation below the mean ($M = 28.66$) was -.584 and significant ($\Delta\chi 2SB\ (1) = 4.29$, $p < .05$), and at one standard deviation above the mean ($M = 58.94$) was .376 and significant ($\Delta\chi 2SB\ (1) = 5.56$, $p < .05$). Specifically, results show a minimal moderating effect of age on gender among U.S. participants of average age. However, among younger participants in the United States, financial capability was higher for females than males. Conversely, among older U.S. participants, financial capability was higher for males than females. There is no interaction effect for the Kenya participants. Programs and policies aimed at enhancing the financial capability of various populations should be cognizant of the effect of sociodemographic variables on financial capability.

Credit Card Ownership and Debt Among Households Receiving Social Assistance

Mary Ager Caplan

Since the mid-1980s, cost of living has outpaced earnings and the welfare state has undergone a major transformation from providing social safety to promoting personal responsibility. As a result, more and more individuals and families have resorted to acquiring more debt to cover living expenses. This paper examines credit card use and debt among households that receive social assistance in the United States. Results show that social assistance recipients' credit card debt and ownership rose between 1992 and 2008, and declined thereafter. Social assistance recipients are less likely to use credit cards than nonrecipients, a trend that has held over time. The paper discusses the implications of social work in this context.

Understanding Fringe Economic Behavior: A Bourdieusian-Informed Meta-Ethnography

Peter A. Kindle and Mary Ager Caplan

This paper is a meta-ethnography of four low-income communities in order to explore fringe economic behaviors. Rejecting the interpretation of fringe economic behaviors as irrational, we affirm these behaviors as viable alternatives for people marginalized in the mainstream economy. Using a meta-ethnographic method and employing the concepts of sociologist Pierre Bourdieu, we identify the habitus and social capital values of each community as a distinct Bourdieusian field and conclude that an awareness of the localized development of a fringe economic cluster with distinct goals and rules, undermines one-size-fits-all social welfare programs.

Financial Capability and Retirement Confidence Among Low-Income Older Asian Immigrants

Yunju Nam, Jin Huang, and Eun Jeong Lee

This study examines financial outcomes (e.g., saving, asset ownership, retirement confidence) among low-income older Asian immigrants, with special attention to ethnic disparities. In addition, we examine the roles of financial literacy and access to financial services in explaining ethnic differences in financial outcomes. We use survey data collected from 154 low-income older Asian immigrants who participated in a subsidized employment program. The dependent variables are comfort level with opening a bank account, saving regularly, asset ownership, access to credit, and retirement confidence. Independent variables include ethnicity, financial knowledge, knowledge on social programs, and access to financial services. Low-income older Asian immigrants in the sample show precarious financial outcomes. Although Chinese show better financial outcomes than Koreans and other ethnic groups for most outcome variables, only a small percent of Chinese regularly save (16%) and slightly more than half have long-term savings (55%). Despite advantages in educational attainment, work experience in the United States, financial knowledge, and financial access, Koreans' financial outcomes are worse off than the other two groups. Regression analyses show that significant ethnic differences exist in most outcome measures. Controlling for demographic, human capital, citizenship, and financial capability does not reduce ethnic differences in financial outcomes, except for feeling comfortable of opening a bank account. Findings suggest needs to develop culturally suitable financial capability-building programs for older Asian immigrants. Social workers should be educated about financial needs and capability to serve this population effectively.

Occupational Change and Asset Holding Among United States Immigrants

RaeHyuck Lee, Mashura Akilova, and Tara Batista

Using data from the New Immigrant Survey (N = 3,669), we examined the association between occupational change and asset holding among legal U.S. immigrants. Our findings suggest that immigrants' occupational upgrades tended to be positively associated with the likelihood of holding assets. Specifically, compared to immigrants whose occupational status remained the same, immigrants' upward mobility was associated with higher odds of holding home equity. Immigrants who experienced an occupational downgrade were more likely to hold liquid assets compared to those who experienced no change. Through a more specific model, which reflected the extent of change in occupational status (e.g., slight change, severe change), we found that immigrants who experienced both slight and severe downgrades tended to be more likely to hold liquid assets, whereas those who experienced a severe upgrade tended to be more likely to hold home equity.

Toward Culturally-Competent Financial Education Interventions With Latinos

Liza Barros Lane and Suzanne Pritzker

Latinos in the United States face greater financial disadvantage than their non-Hispanic white peers. To expand the financial capability of Latinos, culturally competent intervention models that address structural barriers this population faces and cultural factors such as familiasmo are necessary. We examined how financial education interventions can improve financial outcomes for Latinos by conducting a systematic review of the state of knowledge on financial education specific to Latinos in the United States. The review yielded just four peer-reviewed intervention studies, suggesting a substantial gap in knowledge in this area. Though conclusions about the effectiveness of financial education interventions with Latinos are limited, each study found evidence of positive changes in financial attitudes and behaviors. Cultural sensitivity was integrated into each intervention design in distinct ways. Implications for designing and testing culturally competent financial education interventions with Latino populations are discussed.

Financial Capability Practice in the Progressive Era: Lessons for Today

Paul H. Stuart

From the earliest years of the social work profession, social workers tried to improve their clients' financial capability. In this paper, I will describe the methods used by early social workers who attempted to enhance the financial capability of their clients, based on contemporary descriptions of their practice. Social workers initially emphasized thrift, later adding more sophisticated consideration of the cost of foods, rent, and other necessities. Social work efforts were furthered by home economists, specialists in a variety of topics related to home making, including nutrition, clothing, family budgeting, and interior design. Nutritionists and family budget specialists worked with social agencies to provide a basis for family budgets and to help social workers assist clients with family budgeting. Some social agencies engaged home economists as consultants and as direct providers of instruction on home budgets to clients. By the 1930s, however, social work interest in family budget problems focused on the psychological meaning of low income to the client; the active engagement with family budget issues that characterized early decades faded. These early efforts can inform contemporary practice as social workers again are becoming concerned about improving their clients' financial capability.

Applying Direct Practice Theories and Skills to Financial Capability and Asset Building

Edward Scanlon and Cynthia K. Sanders

The promotion of financial capability and asset building is an important and fitting professional activity for social work, which has long been concerned with the economic well-being of individuals and families. The result of the interaction between human agency (i.e., the ability to act) and social structures (i.e., institutions that create the opportunity to act), financial capability is congruent with social work's emphasis on person-environment practice. This paper applies the generalist process model of social work intervention to financial capability building and draws upon insights from cognitive behavioral, solution focused, and motivational interviewing perspectives. We identify individual factors that can be promoted through social work practice and may increase the likelihood of success in financial capability and asset-building endeavors. Using theory elaboration and case examples, we argue that it is the emphasis on the transactions between individuals and institutional structures that makes financial social work distinct from the financially oriented work found in other professions.

Making the Right Financial Capability Connection for Clients: Classes, Counseling, and Coaching

Rita W. Green and Kenya Y. McKinley

To help clients identify and achieve their financial goals, social service organizations must consider internal and external factors that foster financial capability. This paper examines major factors related to the work of social service organizations to help clients manage their finances. We consider theoretical underpinnings that support experiential learning in adults and how these skills can be used to shape the learning experiences for clients that social service organizations serve. The external factors we examine in this research include a variety of elements related to integrating financial capability tools into social service organizations. We give special attention to the spectrum of engagement for social workers in relation to the structure and mission of organizations. Specifically, we examine how social workers can use financial classes, coaching, and counseling to help clients achieve financial capability. The paper includes recommendations on how social workers can be successful in helping various organizations maximize services for their clientele.

Promoting Financial Capability of Incarcerated Women for Community Reentry: A Call to Social Workers

Cynthia Sanders

Female incarceration rates are increasing at an unprecedented rate. In recent decades, the increase in the female prison population has continuously surpassed that of the male prison population, and women are now the fastest growing segment of the U.S. prison population. The vast majority of female prisoners are poor single mothers, most of whom are serving sentences for nonviolent drug-related offenses. Women face many challenges transitioning from prison back into society. Among them are histories of interpersonal violence and financial instability. This study examines current literature with regard to the barriers women experience when reentering society after incarceration, particularly their financial struggles. Additionally, the study explores the outcomes of one initiative to begin addressing the financial capability of incarcerated women through a financial education and empowerment program that takes into account issues of domestic violence. Findings reveal that incarcerated women benefit from the class experience and information provided. Implications include a call to social workers for additional financial capability programing and research with incarcerated women, most of whom transition back into society with limited financial tools or resources.

Evaluating a Financial Education Curriculum as an Intervention to Improve Financial Behaviors and Financial Well-Being of Survivors of Domestic Violence: Results from a Longitudinal Randomized Controlled Study

Judy L. Postmus, Andrea Hetling, and Gretchen L. Hoge

The Allstate Foundation and the National Network to End Domestic Violence created a financial education curriculum to improve individual financial management skills and, ultimately, domestic violence survivors' financial well-being. Guided by the reasoned action approach, this study evaluates their curriculum using a longitudinal randomized control study, with data collected over four time periods spanning 14 months. The analyses demonstrate that the treatment group had an average improvement between a half point to over a full point on self-reported financial knowledge, financial intentions, and financial behavior and a decrease in financial strain. Moreover, the impact of the curriculum persisted over time. The notable and lasting impact of participation in the curriculum for this study sample has critical implications for other agencies serving domestic violence survivors as well as other programs aimed at improving financial well-being among their clientele.

Financial Capability and Asset Building in the Curricula: Student Perceptions

Vernon Loke, Julie Birkenmaier, and Sally A. Hageman

Although social work competencies include economic justice, and contemporary social work practice includes addressing client finances and assets, social work curricula do not place an emphasis on household finances or addressing economic inequalities. Little is known about students' perceptions of the relevancy of this information in the profession or curriculum, or how well their program is preparing them for contemporary practice. In this study, we explore the perceptions of 643 BSW and MSW students. We find a general consensus among students that social workers have an important role in addressing client economic issues. However, respondents perceive a limited use of client financial information in practice—that of determining client's eligibility for services. Nevertheless, respondents indicated it was "very important" to include assessment of clients' economic situations in the curricula. But only between 12% and 33% of graduating students (n = 177) noted that "a lot" of this content was covered in the different curriculum areas. In addition, only a minority reported that they had been educated "a lot" about the different financial-capability and asset-building content. The results further indicate that the perceptions of respondents may be significantly different based on their preferred fields of practice, on the level as well the status of the student in the program. This paper discusses the implications on social work curricula.

Training Human-Service Providers to Address the Complex Financial Needs of Clients: Implications for Social Work Education

Jodi Jacobson Frey, Karen Hopkins, Philip Osteen, Christine Callahan, Sally Hageman, and Jungyai Ko

Clients regularly present with complex financial problems in diverse human-service settings and organizations. Social workers and other human-service providers employed in these organizations have little or no formal training in assessing and responding to clients' financial problems. In response to this lack of training, this study evaluated the Financial Stability Pathway Project. The project is designed to equip human-service providers with the skills to (a) assess and effectively respond to clients' financial problems, (b) help clients establish initial financial goals, and (c) access safe financial services and products in their community. The researchers used a one-group pre-, post-, and follow-up design to assess providers' self-efficacy to offer financial-capability services and to evaluate practice behaviors related to actual changes in providers' work with clients who present with financial problems. Results suggested that, through continuing professional education and an ongoing support network, providers improved self-efficacy and practice skills related to working with clients experiencing financial problems. Implications for future social work and other human-service training and education are discussed in addition to ways to further engage clients in financial-capability programs and services.

Financial Capability and Asset Building in Social Work Education: The Big Piece Missing?

Margaret Sherraden, Julie Birkenmaier, Mike Rochelle, and Gena McClendon

Over the past two decades, social workers have renewed the profession's early focus on improving the well-being of financially vulnerable families. Nonetheless, most social workers receive little training and education on how to help clients build stable and secure financial lives. This study uses in-depth interviews and pre–post surveys to examine the effects of a Financial Capability and Asset Building (FCAB) curriculum in six Minority Serving Institutions. In-depth interviews with 24 school administrators, instructors, and faculty colleagues suggest that faculty chose FCAB content based on course goals, content utility, and alignment with social work education standards. Furthermore, faculty report that they gained confidence and students gained understanding and appreciation for FCAB, especially as a result of practical application of FCAB concepts. Pre–post surveys with 147 students indicate increased confidence in helping clients with basic financial management, a broader understanding about the importance of developing appropriate financial services, and changing personal financial behaviors, such as checking one's credit report. Despite initial positive results, the curriculum requires more extensive and rigorous testing to inform growing efforts in the profession to improve financial well-being in low-income and financially vulnerable households.

A Multi University Economic Capability-Building Collaboration

Shelley Horwitz and Kathy Briar-Lawson

To prepare students to work with financially at-risk individuals, families, and communities, schools of social work must include economic literacy skills in their curricula. In this paper, we describe the financial capability education initiative between seven New York City schools of social work and explore the capacity for schools of social work in upstate New York to adopt the course, extend it to the learning community, and address economic capacity building throughout the state. We report on the collaborative effort to develop, implement, and evaluate online financial capability education. We cite an inventory regarding the readiness and capacity of moving from projects to a unified, system-wide approach that educates students in economic literacy and capacity building. Opportunities to extend the content to interprofessional collaborators in other health and human service disciplines are discussed.

Financial Capability in American Indian Communities

Pete Coser and Mike Rochelle

In 2013, many of the effects of the Great Recession persisted in American Indian (AI) communities. For AIs, unemployment was 11.3% and had been in the double digits since 2008, and poverty rates were twice that of the U.S. national average. Research suggests that financial capability is also particularly low among AIs. Financial capability and asset-building initiatives that target AIs need culturally competent intervention models and an understanding of the historical and present-day challenges facing AI communities. This paper provides an overview of U.S. federal Indian policy and its impact on AI financial capability; reviews best practices of financial capability and asset building (FCAB) initiatives in AI communities; and presents implications for FCAB application to social work education, research, and practice in AI communities.