Savings Network Peer Call
May 14, 2019, 3:00-4:30pm ET
Today’s Topic:
The Future of Federal and State Savings Policies
Welcome

Carmen Shorter
Senior Manager for Learning, Field Engagement
Housekeeping

- This call is being recorded and will be mailed to registrants and available online within one week.

- This is a group discussion! However, all webinar attendees are muted at the start to ensure sound quality.

- Share comments or ask questions at any time by raising your hand to be unmuted or typing the question into the text box on the control panel.
  
  Tip: Phone audio works best. Be sure to enter your audio PIN!

- If you experience any technical issues, email gotomeeting@prosperitynow.org.
Getting the Most Out of Today’s Call

▪ Join from a quiet space

▪ Grab a coffee or snack and settle in

▪ Engage! Send us your questions and comments as you listen

▪ Reflect on ways to apply what you learn today to your own work
Today’s Speakers

Parker Cohen
Associate Director,
Savings & Financial Capability
Prosperity Now

Joanna Ain
Associate Director,
Policy
Prosperity Now

Michael Barrio
Director of Advocacy
Prosperity Works
Introduction

Parker Cohen
Associate Director,
Savings & Financial Capability
Prosperity Now
Updated Objectives of the Savings Network

▪ **Learn** about policy solutions that support savings, including the future of federal matched savings, and provide a space for members to provide input and shape policy ideas.

▪ **Explore** how racial equity can be centered and advanced in the design and implementation of savings solutions.

▪ **Understand** the barriers and challenges that households, particularly households of color, face around savings and the role of services and policies in removing them.

▪ **Share** innovations, resources, insights, challenges, and successful practices with programs similar (and different) from each other.

▪ **Learn** about the range of savings products and solutions available and how they can be used to meet savings needs of clients, especially those with very low incomes.
Today’s Agenda

✓ Getting to Know You and Your Community

✓ Federal Policy Update—What savings policies are being advanced at the federal level?

✓ State Policy Perspective—Advancing savings policies at the state level

✓ Group Discussion and Q&A

✓ Next Steps & Close
Poll Question #1

What role do you play at your organization? (Pick one that most closely describes your role)

- Program Manager
- Direct Service Provider
- Policy Advocate
- Researcher
- Other (Please specify in the chat)
Poll Question #2

What are the greatest savings needs in your community? (Please pick all that apply)

- Saving to Smooth Income (short-term)
- Saving for Emergencies (short-term)
- Saving for Homeownership (medium-term)
- Saving for Children’s Education (long-term)
- Saving for Retirement (long-term)
- Other (please specify)
Poll Question #2

What are the greatest barriers to saving in your community? (Please pick all that apply)

- Little or no income
- Debt
- Lack of access to savings products and services
- Lack of trust in savings products and services
- Cost of living
- Other (please specify)
ALMOST HALF OF AMERICANS DON’T HAVE $400 FOR EMERGENCIES

40%

Americans who need to sell something or borrow money when they are faced with a $400 emergency

EARLY WITHDRAWALS FROM RETIREMENT AMOUNT TO 30-40% OF ANNUAL CONTRIBUTIONS

SOURCE: Early Withdrawals from Retirement Accounts During the Great Recession, Contemporary Economic Policy, 2015.
Short-term Savings Policies

How the Refund to Rainy Day Savings Act Can Help a Family Build Emergency Savings at Tax-Time

Consider a family who is eligible for a $2500 tax refund...

At Tax Time

- The family will receive $2000 (80% of the standard tax refund)

...Six Months Later

- They will receive a Rainy Day payment of more than $750 ($500 deferred tax refund + $250 savings match + accrued interest)

- The family will receive $2500

- They may not have money for an EMERGENCY

SOURCE | The Rainy Day EITC, CFED, 2015

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Short-Term Savings Policies

Strengthening Financial Security Through Short-Term Savings Act
Medium-term Savings Policies

**Matched Savings**

1. Local organization recruits participant.
2. Participant enrolls in program and opens account with help of the local organization.
3. Participant picks a savings goal and develops a plan with the help of the local organization.
4. Participant saves $1,000 over 6 months or longer and works with a financial coach.
5. Participant receives $2,000 as a 2:1 match for savings.
Savings penalties force families to choose between their future and their current needs.

- A single mom saves $2,000 for her child’s college education in a CSA.
- She loses her job.
- Her family needs access to food, heat and other basic supports.

**Options:**

- Spend down the CSA and receive public benefits such as SNAP, LIHEAP and TANF.
- Keep the CSA and be unable to access the benefits that she and her family needs to survive.

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Medium–term Savings Policies

CSA Opportunity Act

Save for Success Act

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Long-term Savings Policies

Many Americans are not saving for retirement

- 53.3% Participating in Retirement Plans
- 13.3% Eligible for Retirement but Don’t Participate
- 33.3% Have No Access to Retirement Plans

AUTOMATIC ENROLLMENT CAN INCREASE PARTICIPATION RATES

Participation Without Automatic Enrollment: 40%
Participation With Automatic Enrollment: 90%

THE SAVING FOR THE FUTURE ACT GIVES WORKERS ACCESS TO EMERGENCY AND RETIREMENT SAVINGS THROUGH THE WORKPLACE.

All employees receive savings plan contributions from their employer, starting at 50 cents for every hour worked.

Each employee is automatically enrolled at a starting contribution of 4% of their earnings.

David starts with a 4% contribution of his earnings.
Anita starts with a 4% contribution of her earnings.
Steve starts with a 4% contribution of his earnings.

First $2,500 in savings

For Emergencies

The worker can put the first $2,500 in savings into an UP-Savings account for their short-term needs.

For Retirement

Additional contributions go into the worker’s UP-Retirement account to help them save for the future.
American Opportunity Accounts Act
Insert Advocacy Center Slide

• https://prosperitynow.org/take-action
State Advocacy Perspective

Michael Barrio
Director of Advocacy
Prosperity Works
**Legislative Objective:** Establish the creation of a statewide child savings account (CSA) program with the State Treasurer’s Office.

This program will be designed to empower low-income New Mexican families to plan and save for their child’s post-secondary education. Eligibility will be open to all children born in the State of New Mexico who meet the Federal definition of indigency (≤ 200% of the poverty line). Upon fully funding the program, each eligible child will receive a 529 College Savings Plan seeded with $500. Families will be encouraged to continue to make deposits to help save for eligible education expenses including tuition, books, computers, and supplies.

**Outcome:** Bill died in the House Appropriations & Finance Committee

**What worked:** The program’s objective of leveling the playing field when it comes to saving for college resonated with many Reps, particularly educators. The initial $500 seed investment could only be used at a New Mexico institute of higher learning.

**What didn’t work:** Bogged down in questions about eligibility, questions for the State Treasurer about how this would be managed and differentiated from the State’s other available 529 Plans, concerns about families’ familiarity with and ability to contribute to 529 Plans.
INDIVIDUAL DEVELOPMENT ACCOUNTS: NM SB 95

Legislative Objective: Create a state-funded IDA program to continue to help New Mexicans' build credit, build assets, and achieve financial security.

The IDA program has made a meaningful difference in the lives of thousands of New Mexicans. With federal funding set to expire, the program will be discontinued unless the State makes a commitment to help hard-working families save for important assets like home-ownership, small business development and college education. The IDA program accomplishes this by combining matched dollar savings accounts with comprehensive financial capability training and coaching.

Outcome: Bill was passed and signed into law. Instead of the requested $500k appropriation, $200K was earmarked

What worked: The IDA program was already successful in New Mexico. We had 15 years of compelling data and personal testimonials to share. IDAs continue to have a bi-partisan appeal when coupled with financial capability training.

What didn’t work: Did not have a clear budget commitment or funding source.
**PREDATORY LENDING FIX BILL: NM HB 150**

**Legislative Objective:** Provide for clarity and consistency across existing small dollar loan laws along with robust data transparency and reporting

All New Mexicans deserve access to fair credit. On January 1, 2018 a 175% interest rate cap went into effect on small dollar loans in the state but high fees and loan rollovers continue to drain income from NM consumers. Both the Small Loan and Bank Installment Loan Acts regulate storefront lenders in NM. However, these two loan laws have inconsistent fee and language provisions, do not require sufficient reporting to the Financial Institutions Division (FID) to enforce consumer protections, and need to clarify borrower rights when a lender renews a loan.

**Outcome:** Bill was passed and signed into law.

**What worked:** Framing the bill as “common sense” fixes to close loopholes left by the previous piece of legislation to preserve legislative intent. Focusing on the data transparency and reporting issues that would allow us to make better informed decisions about the small-dollar lending industry in the future.

**What didn’t work:** Detractors wanted to have the report from 2018 before making any decisions about further regulation. Two competing bills that again set to lower the interest rate cap split focus and created some confusion.
578 families are enrolled in our Prosperity Kids program and collectively they have saved $48,190 in banked deposits for college.

15,209 employees have access to fair loans via an employer-lending program. 1,571 loans have been made with the True Connect program in New Mexico, totaling $2.9m.

53 new college degrees obtained by New Mexicans with IDAs, resulting in an aggregate earning potential of $1.3m per year.

7 families purchased safe and secure housing, resulting in $980,000 in new mortgage holdings in NM financial institutions.

10 New or expanded small businesses created 25 new jobs, putting wages and money back into our economy.

175% APR rate cap on all small dollar loans went into effect on January 1, 2018. This new law has the potential to save New Mexican borrowers millions of dollars in interest and fees.
Poll Question #4

Which savings initiative are you best positioned to advance through policy? (Please pick just one)

- Incentives for Emergency Savings
- Matched Savings to Build Assets (e.g., Individual Development Accounts)
- Children’s Savings Accounts
- Retirement Savings for Low
- Other (please specify)
Group Discussion and Q & A
Group Discussion and Q&A

▪ Feel free to ask the speakers any questions using the chat box!

▪ Also add your reflections and ideas for conversation:
  ▪ **Discuss** which areas of savings policy you think should be prioritized at the federal and state levels
  ▪ **Share** what exciting savings policy developments you have seen at the local and state levels
Group Discussion Technology

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Next Steps and Wrap Up

Carmen Shorter
Senior Manager for Learning, Field Engagement
Next Steps

▪ Visit our *Advocacy Center* to stay up to date with advocacy efforts.

▪ Please **complete the survey**!

▪ Sign up for other *Networks and Campaigns* to stay in the know about issues you care about

▪ Let us know your **suggestions** for future call topics
Plug into the Prosperity Now Community

Sign up for listservs and working groups, volunteer to facilitate peer discussions, serve in a leadership role and more!

- Financial Coaching Network
- Racial Wealth Equity Network
- Affordable Homeownership Network
- Financial Coaching Network
- Adult Matched Savings Network
- Taxpayer Opportunity Network
- Campaign for Every Kids Future — Children’s Savings Accounts
- Medical Financial Partnerships (Health/Wealth)
- Innovations in Manufactured Housing (I’M HOME) Network

Visit any of the networks above at prosperitynow.org/getinvolved to get started.
Take action with Prosperity Now Campaigns!

Sign up to stay informed about the latest developments and opportunities to take action by joining one of our four federal policy campaigns.

HOMEOWNERSHIP

Homeownership is key to building wealth. Together, we will advocate for products and policies that provide more affordable homes to more people.

CONSUMER PROTECTIONS

Consumer protections create fairer, more transparent financial markets. Together, we will ensure consumers keep the safeguards they deserve.

SAFETY NET

Safety net programs help protect vulnerable individuals and families from falling deep into poverty. Together, we will protect programs like SNAP, IDAs and more to help those in need when they need it most.

TURN IT RIGHT-SIDE UP

The vast majority of tax incentives go to those at the top, not to those who need it most. Together, we will turn our upside-down tax code right-side up.

Visit any of the Campaigns above at https://prosperitynow.org/take-action to learn more and join.

FINANCIAL COACHING NETWORK
Thank You!

Please complete our survey and we’ll see you on the next call!