



Promote Tax Credits with Asset Development Opportunities

One out of four Americans is asset-poor, which means he or she has insufficient assets to live for three months at the federal poverty line. (In 2009, the poverty line for a family of three is \$18,310.) Research shows low-wage workers recognize the importance of saving, yet many families struggle to set money aside when they have to meet day-to-day needs. Tax Credit Outreach Campaigns can help workers understand how EIC and CTC refunds can contribute to an asset development program, which can help workers achieve long-term goals such as establishing a savings account or purchasing a home.

Asset development programs can be promoted with the EIC and CTC

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IDAs

Individual Development Accounts (IDAs) are special “matched savings accounts” designed to encourage low-income working families to save by providing funds to match their own monthly deposits. Many state and local IDA programs have been funded through a federal demonstration program under the Assets for Independence Act.

These programs build partnerships with financial institutions that open the savings accounts for workers and provide the matching funds which enable workers to multiply their savings and use the money for one of three designated goals: purchasing a home, paying for higher education or job training, or building a small business. IDA programs exist in over 500 communities, with more programs in the planning stages. Federal welfare rules permit states to use TANF funds to support IDAs for cash assistance recipients moving into the labor force. Federal legislation has been proposed to provide a tax credit to encourage financial institutions to participate more widely in IDA programs.

Many IDA programs require account holders to participate in “financial education” training and counseling programs to familiarize them with strategies for managing household expenses and building assets for a long-range purpose. This is an opportunity for program participants to learn about how the tax credits can augment their savings. For example, an IDA participant could use her tax refund to pay off debts, enabling her to qualify for a home loan. She could then use the money in her IDA account as a down payment on a home. EIC and CTC refunds — and Advance EIC payments — provide additional income to low-income workers, making it more feasible for them to make the modest monthly deposits typically required in an IDA program.

Harnessing the EIC, the CTC and an IDA to work together promotes the development of assets by low- and moderate-income families. IDA programs typically involve nonprofit groups, banks or credit unions, and government agencies. IDA programs are interested in reaching the same families that may be eligible for tax credits for low-wage workers and should be included in campaign planning meetings.

Outreach Campaigns can encourage organizations that run IDA programs to take the following steps:

- Tell workers about the EIC and the CTC during IDA participant recruitment.
- Discuss the tax credits in money management education sessions, home ownership classes, or business seminars. Explain who qualifies, how to claim the credits, and how to use VITA services.
- Insert tax credit information into educational packets and display flyers and posters at resource centers and in training rooms.
- Schedule a day when IDA participants can have their tax returns prepared on-site, at no charge.
- Promote Advance EIC payments, which can help enable low-wage workers to make consistent monthly IDA deposits.
- Involve financial institutions in tax credit outreach. For example, banks can mail EIC and CTC information with IDA account statements.

To learn more about IDAs and to identify IDA programs in your community, visit www.cfed.org/programs/idas.

Car Ownership Programs

Lack of transportation severely limits work opportunities. One [report](#) found that “low-wage workers with access to a reliable car are more likely to work, earn more, and work more hours.”

Car ownership programs help link low-income families to transportation which gives them the opportunity to gain and maintain employment. Car ownership programs issue affordable no- or low-interest loans. Some programs require participants to complete activities, such as job training or money management classes, before they can receive the loan.

One of the largest programs issuing loans for transportation-related needs is Ways to Work, Inc, a Community Development Financial Institution, and affiliate of the Alliance for Children and Families. Ways to Work provides small loans that can help purchase a used car, repair a car, or pay for other expenses that could interfere with maintaining employment. More than 95 percent of all loans issued are used for car purchases or repairs. Currently, 32 Ways to Work programs are administered in 19 states.

Outreach Campaigns in communities with Ways to Work programs can promote Ways to Work with the EIC and CTC. *To learn about the program, visit www.waystowork.org. To learn how organizations can administer a Ways to Work program contact: 1-866-252-7171 or wtwinfo@waystowork.org.*

In addition to Ways to Work, other car ownership programs operate regionally and locally. To find car ownership programs in your state, visit Opportunity Cars, a network of more than 150 non-profit organizations. Visit www.opportunitycars.com

Homeownership Programs and Investment Clubs

Outreach Campaigns can arrange for local groups offering homeownership and investment programs to share information at free tax assistance sites about different ways to save and invest money. Alternatively, volunteers can be trained to share such information with taxpayers. For example, the United Way of Greater Rochester's CASH (Creating Assets, Savings and Hope) Campaign trained volunteers to serve as "CASH advisors" at their VITA sites. Tax filers completed a financial "wish list" which volunteers used to direct them to appropriate savings programs.

America Saves

America Saves is a nationwide campaign supported by a coalition of nonprofit groups, employers, financial institutions, and government agencies to help individuals and families save and build wealth. It assists families as they pay down debt, build an emergency fund and save for a home, education or retirement. Currently the campaign has enrolled more than 200,000 savers and 1,000 organizations at the local, state and national levels. Cooperative Extension offices, nonprofit credit counseling agencies, banks and credit unions, and city and county government agencies are often involved in local campaigns.

The campaign offers printed and on-line information resources, workshops, support through financial planners and clubs, access to affordable bank accounts and assistance to organizations in incorporating America Saves messages and services into their own programs. *For more information visit www.americasaves.org or contact: Nancy Register, The Consumer Federation of America, (202) 387-6121, information@americasaves.org*

Other Asset Development Tools

Financial Education Classes

Community organizations can offer financial education classes or can work with a bank or credit union that has already established a financial education program. Some Outreach Campaigns may find it difficult to generate interest in participating in financial education classes and may have greater success when providing incentives that can be promoted with the classes such as child care, transportation reimbursement, or a monetary stipend for participation. For example, the Imperial Valley EITC/VITA Project in California could not offer a full financial education class, so staff created a financial education textbook written in English and Spanish for clients to read while they waited to have their taxes prepared at VITA sites. Tax filers who read the book and passed a test on the material were entered into a drawing for a savings bond. *For a list of financial education curricula, see the end of this document.*

Credit Reports and Credit Repair

Outreach Campaigns interested in offering asset development programs to lower-wage workers often find that a worker's poor credit rating is an initial barrier to establishing a bank account or participating in affordable homeownership programs. Some programs have begun to focus on connecting such workers to credit repair programs as a first step to enabling them to improve their financial circumstances. Credit counselors can train tax preparers to share basic information with workers, before or after taxes are completed, such as how to understand a credit report, how credit scores are used, and how tax refunds can be used to help improve credit history.

Under federal law, anyone can request one free credit report from each of the three nationwide consumer credit reporting companies every 12 months. Outreach Campaigns can order credit reports on-line for taxpayers through www.annualcreditreport.com and print them immediately, or they can provide request forms for people to submit by mail. Requests made by mail or phone take 15 days to process. Alternatively, Outreach Campaigns can invite credit counselors from an organization working with credit reports and credit repair to volunteer to talk with taxpayers one-to-one. The National Foundation for Credit Counseling has affiliates across the country that provide financial education classes and counseling and debt management assistance. *Contact: (800) 388-2227 or www.debtadvice.org.*

Financial Education Curricula

Following are some of the financial education curricula that Tax Credit Outreach Campaigns can use to support their efforts to promote the EIC and CTC and free tax filing assistance programs.

The Federal Deposit Insurance Corporation (FDIC) has created Money Smart, a financial education program for adults which can be used by banks, community-based organizations and government agencies. This curriculum includes information about free tax preparation, the EIC, CTC and other tax credits for low- and moderate-income families. *Money Smart* is available in English, Spanish, Chinese, Korean, Vietnamese and Braille. To obtain a copy of the curriculum, visit: www.fdic.gov/consumers/consumer/moneysmart/overview.html.

First Nations Development Institute produced *Building Native Communities: Financial Skills for Families*, a financial education curriculum developed specifically for Native American families. The curriculum is designed to help Native people build on their own knowledge and develop personal financial skills while embracing Native traditions and values. It includes an instructor's manual and participant workbooks to provide 18 hours of training. To download the instructor's manual, participants' book and other resources, visit: www.oweesta.org/library/publications/feab. To request multiple copies of the curriculum call: 1-800-665-0012.

Freddie Mac partnered with five Historically Black Colleges, the National Urban League and the Rainbow PUSH Coalition to create CreditSmart, a money management and credit improvement curriculum. It focuses on money management and credit improvement and is currently offered by the five colleges and churches affiliated with the Coalition. To view the curriculum's modules, examples, case studies and worksheets, visit www.freddiemac.com/creditsmart. The curriculum is also available in Spanish, Chinese, Korean, and Vietnamese.

The Nonprofit Investor Protection Trust (IPT) developed *The Basics of Saving and Investing: Investor Education 2020*. This teaching guide includes a segment on avoiding investment fraud. To download the curriculum, visit www.investorprotection.org/teach/?fa=basics.