SILICON VALLEY community foundation
SERVING SAN MATEO AND SANTA CLARA COUNTIES

LENDERS FOR COMMUNITY DEVELOPMENT

FAMILIES SAVING AND BUILDING HOPE

2007 Report on Graduates of the Assets for All Alliance

A MESSAGE FROM SILICON VALLEY COMMUNITY FOUNDATION

Eight years ago, our Center for Venture Philanthropy launched Assets for All as its first social venture fund. The Center partnered with Lenders for Community Development and a cadre of nonprofit social service agencies to bring financial education and asset-building strategies to low-income working families in the Silicon Valley region. Savers' deposits were matched by philanthropic and government dollars on a two-to-one basis. These are the key elements of an individual development account program, also known as an IDA.

Toward the end of that six-year fund, we commissioned a longitudinal study of graduates of the program. Three years later the results are in, and we are pleased to co-release this report with Lenders for Community Development.

As you will see, the report highlights the impact of the habits learned and the assets gained not only while people were participating in the program but up to two years after completing the program. People acquired assets, retained those assets and continue to save for future protection, use and investment.

Because state and federal policy can have so strong an influence on personal economic development, we invited leadership at the New America Foundation's asset-building program to put forth some public policy recommendations based upon the findings of our study. You will see their recommendations alongside the report.

Furthermore, previously conducted research has shown that as people obtain a post-secondary education, start or expand a small business or purchase their first home, they often become more stable members of their communities, more fully invested in the economic well-being of the region. We believe that IDAs are an important strategy for helping individuals and families who are living on the economic margins to improve their lives and strengthen our communities.

Respectfully,

Emmett D. Carson, Ph.D.
CEO and President
Silicon Valley Community Foundation

A MESSAGE FROM LENDERS FOR COMMUNITY DEVELOPMENT

When we launched the Assets for All Alliance with Silicon Valley Community Foundation's Center for Venture Philanthropy and our community partners in 1999, we established some lofty goals. We set out to build on the excellent groundbreaking work then being done by the participants in the American Dream Demonstration, or ADD, the first systematic study of individual development accounts, or IDAs, in the United States. The 14 IDA programs participating in that study, which began in 1997, showed some early promising results, so we set out to learn from, and build on, their work. Under the leadership of Anne Stuhldreher, who had worked with some of the ADD participants during her time at the Ford Foundation, we sought to design a program that could operate on a significantly greater scale than had previously been attempted, without sacrificing on the quality of outcomes for the savers.

We began with a number of critical questions. ADD was showing that small targeted groups of families in poverty could save, with the proper support and incentives. But could one program provide the right supports and incentives to get hundreds, and eventually thousands, of low-wage workers on the path to asset building? Could IDA participants in an expensive region like Silicon Valley save enough every month to accumulate a meaningful amount of money at the end of three years, even with a 2:1 match? Even if we succeeded in enrolling large numbers of participants, would they actually purchase assets with their savings? We believe our results over the past eight years have answered those questions in the affirmative.

This longitudinal study, however, focused on two more long-range questions, the answers to which we hope can have a significant impact on asset-building policy. First, would our clients continue to save after they were no longer eligible for matching funds as an incentive? In other words, would the program really help them develop a permanent pattern of savings? Secondly, would they complete their education program, hold onto their home or succeed in starting a small business? We invite you to read this report and draw your own conclusions.

Each of the now 2,000 individuals who have enrolled in the Assets for All Alliance brings a different story, a different twist on ingenuity and a unique motivation to succeed. They have not all yet made it to their asset goal, but each new saver we meet inspires us to continue our drive to reach more families. The potential and the unmet need continue to seem enormous.

We want to thank our community partners and Citibank for providing the infrastructure, outreach and technical support necessary to operate a high-quality program at scale. We also thank Silicon Valley Community Foundation's Center for Venture Philanthropy for providing significant resources, along with a vision to which we could all aspire. Most importantly, we thank our clients, whose hard work and unquenchable hope are what make this nation great.

Sincerely,

Eric Weaver
Executive Director
Lenders for Community Development

TABLE OF CONTENTS

FOREWORD

This new and important study about the Assets for All Alliance from Lenders for Community Development and Silicon Valley Community Foundation's Center for Venture Philanthropy contributes to the growing body of research demonstrating that low- and moderate-income families can and will save when offered targeted incentives, quality financial education and access to appropriate financial products. It also provides key insights for policymakers committed to expanding savings and wealth-creation opportunities for low-income persons throughout the United States.

The need to save is critical. In 2005 and 2006, Americans posted a negative personal savings rate—a feat not achieved since the Great Depression. Not saving is more than harmful to the economic well-being of working families; it is also harmful to the long-term growth of the American economy. Moreover, foreclosures have reached rates not seen since the Great Depression and one in seven Americans is dealing with a debt collector. There couldn't be a better time to re-establish a savings culture in America—especially in generating new savings as well as new savers. Helping more Americans avoid crippling debt, save more and develop productive assets is an agenda the New America Foundation is pleased to share with the Assets for All Alliance.

Included in this report are a number of policy options that we believe will help bring elements of the Assets for All Alliance program to all working Americans – a tangible incentive to save, quality financial education and suitable savings products. We applaud Lenders for Community Development and Silicon Valley Community Foundation for their excellent research and their ongoing, successful efforts to improve the lives of hard-working Californians.

Ray Boshara
Vice President; Director, Asset Building Program
New America Foundation

The policy options presented in this report are included in greater detail in *The Assets Agenda 2007: Policy Options to Promote Savings and Asset Ownership by Low- and Moderate-Income Americans* available at www.newamerica.net and www.assetbuilding.org.

OVERVIEW

- Lenin, a postal worker, is starting a music production business that he hopes will eventually provide steady support for his four children.
- Paulette went from being a homeless single mother of four children to owning a home.
- And Serena, a single mother, has earned a bachelor's degree.

A business, a home, an education. For workers caught in the gap between government assistance and financial independence, assets such as these are critical.

"The way that families move out of poverty long term is not by increasing their income and increasing their consumption. It's by acquiring assets," said Eric Weaver, executive director and founder of Lenders for Community Development, also known as LCD, a nonprofit financial institution that invests in low-income people and communities in Alameda, San Mateo, Santa Clara and San Francisco counties.

Individual development accounts, or IDAs, are an innovative, anti-poverty strategy that focuses on building and keeping assets. IDAs are matched savings accounts coupled with ongoing, comprehensive financial education. They are designed to help low-income and low-wealth families accumulate a few thousand dollars for high-return investments, such as buying a home, starting a business, securing an education or establishing a retirement account.

Median household income of participating families: $24,000

"That's what enables you to weather the bumps in life and not fall back into poverty," Weaver said.

For Paulette Dellanini, who started out homeless and now has a home and money set aside for an extra month's mortgage payment, disciplined savings has led to a new sense of security: "We can sleep at night knowing that we're going to have a roof over our head and we have food in the refrigerator."

The results of a recent study of graduates of the Assets for All IDA program run by LCD show that not only can people like Dellanini save; they can retain their assets after the program is over. The Assets for All Alliance aims to help graduates develop a habit of saving money, obtain and hold assets and learn personal financial management skills.

This is a crucial step toward eliminating the asset gap that prevents so many families from permanently improving their financial situation:

- 15.5 percent of Americans have zero or negative net worth. Households with children are more likely to have zero or negative net worth.
- One fifth of the population does not possess enough liquid resources to survive three months at the poverty line without a job; many more lack sufficient liquid assets to put a down payment on a home, invest in two years at a community college or start a business.[1]

For these families, "any kind of job loss, health crisis, even major car repairs can be devastating," Weaver said. He added, "Initially, people were very skeptical about whether low-income people would save."

But they did. The promise of an additional $2 for every dollar saved was a strong incentive. Moreover, follow-up research involving participants from the program's early years showed that participants were still saving and still had their assets even two years after they finished the program and had already used the matching funds.

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[1] ***2007-2008 Assets and Opportunity Scorecard***, Corporation for Economic Development, 2007.

*Program participants who are single parents: 41 percent**

*Program participants with children: 72 percent**

This study is the first relatively long-term research on IDA participants and includes the following key findings:

- Those who used the money to buy homes had the skills and income to keep those homes for at least two years.
- The majority of those who used money for their own education obtained the degree they were seeking.
- Program participants developed and maintained patterns of savings, as did their children.
- The number of people with checking and/or savings accounts increased during the program.
- Graduates perceived significant benefits from the program's matching funds, financial education classes and support from staff.

The program gave participants benefits beyond being able to crunch their own budget numbers and set money aside.

"The notion of being able to take control of and build a future is a luxury for many low-income workers," said Ellen Dumesnil, division director for economic development services for Catholic Charities of Santa Clara County, which provided recruiting and case management for the program. She added that saving money gives clients "a greater sense of belonging, a greater sense of being a real equal partner in the community."

*** Among the program's first 1,882 participants**

PROGRAM DESCRIPTION

The Assets for All Alliance individual development account program was launched in 1999 to help low-income families learn financial management skills and build assets that would help them permanently improve their economic situation. Today, the program has enrolled 2,000 clients and is a national model for using matched savings accounts to help low-income families build financial stability.

The program's managing partners were Silicon Valley Community Foundation's Center for Venture Philanthropy and Lenders for Community Development, or LCD. Catholic Charities of Santa Clara County was also a key partner in the collaboration.

The program's initial goal was to demonstrate the effectiveness of IDAs over six years by enrolling 1,000 clients within three years and allowing them to save for three years. However, the program's demonstrated effectiveness at the three-year mark convinced LCD to make IDAs an integral part of its programming. LCD has continued enrolling clients and recently enrolled their 2,000 individual saver.

Program participants were required to have a household income below 60 percent of the area median income. For a family of four in San Mateo County, the limit is $67,860 and in Santa Clara County, the limit is $63,660. Among the program's first 1,882 participants, 41 percent were single parents and 72 percent had children.

The participants completed at least 20 hours of financial education and saved a minimum of $20 every month for two to three years, earning $2 in matching funds for each $1 saved. They invested the funds—a maximum of $6,000, including the match—at the end of the program in a home, education, a small business or retirement savings.

The program's clients, whose median household income when they entered the program was $24,000 per year, accumulated more than $6.5 million in savings (including the matching funds) over seven years. More than 130 families used their savings, totaling $770,000 to help pay for a first home; more than 500 invested $1.9 million in education. Others used their money for retirement funds or to start a small business.

In addition to the financial education, a key to the program's success is making sure the clients are "positioned to succeed," said Ellen Dumesnil of Catholic Charities of Santa Clara County.

FINDINGS FROM THE STUDY: HOMEOWNERSHIP

Despite the Bay Area's high housing costs* and the participants' low incomes, almost one-quarter of those who participated in the study used their savings for a home—16 percent for a home purchase and eight percent for home repair.

And they were able not only to buy the homes but keep them. In post-graduation surveys, all of these respondents reported that they still owned their home, either as a primary residence or a rental property.

"We really underestimate what people can do once they get motivated," said Weaver. "The number of home purchasers was higher than we expected."

Those who were successful used a variety of creative strategies, including buying outside the Bay Area, borrowing money from family and friends, locating other sources of funding for first-time homebuyers, improving their credit scores and getting better jobs to increase their income. Many of these strategies were suggested and facilitated by LCD's staff members, who conducted the financial education workshops.

When a mortgage broker told Paulette Dellanini when she finished the IDA program that she could qualify for a $400,000 loan, "I thought she was pulling my leg," Dellanini said. "That was truly amazing. I never thought in a million years that I would own a house."

Dellanini had joined the IDA program through a welfare-to-work program, which she had entered after a stint of homelessness. "I didn't work, I didn't have transportation, I had other things going on in my life. It was very, very difficult," she said.

The welfare-to-work program helped her obtain housing and repair her car. Once her situation had stabilized and she had a job, she entered the IDA program and began saving. She started with the minimum amount allowed—$20 per month—and learned to stick to a budget to avoid going further into debt. She was able to improve her credit score and land increasingly better-paying jobs.

As Dellanini was contemplating buying a condo for herself and her four children, she became engaged, and she and her fiancé decided to buy a home together instead. Today, they live in Gilroy with her four children, one grandchild, her husband's daughter and a nephew.

(continued on page 6)

*** As of October 2007 the median home price in San Mateo County is $757,500 and in Santa Clara County is $689,000.**

VENTURE PHILANTHROPY

Assets for All Alliance was the first social venture fund of the Center for Venture Philanthropy. Social venture funds are pooled investments by foundations, government agencies and private philanthropists that apply five principles of venture capitalism to philanthropy:

- invest for the long term
- participate as a managing partner
- provide both expertise and cash
- require accountability for results
- create and follow an exit strategy

How do these affect the process and the results? "The Center for Venture Philanthropy and the nonprofits on the ground are true partners," said Carol Welsh Gray, founder of the Center for Venture Philanthropy and co-founder of the Assets for All Alliance. "They struggle together to define the work, determine the goals and design the measurement tools. The nonprofits know that the Center is there for the long haul, acting as a critical friend, asking tough questions, looking for mutual success, making changes to improve the work and always thinking about sustaining the efforts that are proven to work well," Gray concludes.

For the groups carrying out the initiative, the commitment from the investors both helps them plan and gives them new ideas.

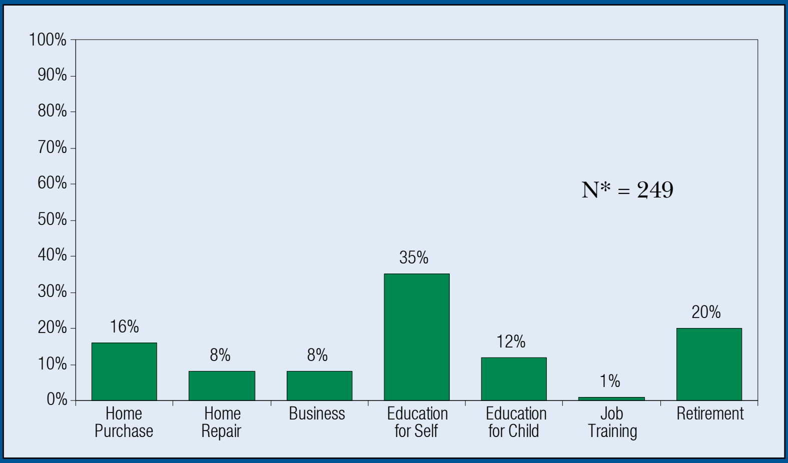
"The organization that's implementing the program can move out of what is often a kind of reactive mode, chasing grants, and say, 'We know we're funded just like a venture-backed startup so we can hire the staff we need,'" said Eric Weaver of LCD.

Like venture capitalists, venture philanthropists may have connections and expertise that can help the execution of the plan. And they want to know whether they are reaching their goals.

Gray set up a council of investors that met on a quarterly basis to hear about progress and offer advice. At one meeting she recalled, they debated whether it was a good idea to allow clients to save for a home purchase, given that buying a home in the Bay Area was likely to be out of reach for people who earned $24,000 per year. Still, some might find ways to achieve their goal, such as pooling their resources with other families and buying together. They decided to go ahead and support people saving to buy their first home.

This led to a new question: Should clients be allowed to use the money to purchase homes outside the Bay Area? The program's answer, guided by discussions with the advisory council, was that buying outside the Bay Area was okay, as long as it wasn't outside the United States.

HOW STUDY PARTICIPANTS USED THEIR IDAs



*N = Number of Respondents

For investor Carol Espinosa of Portola Valley, the council meetings were a valuable introduction to the groups who helped low income individuals and families. She also appreciated the inside view of how the program worked.

"It's taught me that if there's an organization I care about, it's important for me to get to know the people in the organization and be more involved with them," she said.

FINDINGS FROM THE STUDY: HOMEOWNERSHIP (continued from page 4)

For Dellanini, the program offered not only a path to financial security but a new self-image. "I have so much more confidence in myself," she said. At her current job, she has gotten two raises in six months.

Her children, too, have seen the sacrifices they made—going with no professional haircuts and one pair of shoes, for example—pay off.

"They have a lot of pride in this house," Dellanini said. They no longer hear their mother telling them they can't change something about their house because it doesn't belong to them.

"They have really seen me struggle," she said. But now they can say, "This is our house; it's not the landlord's house."

NEW AMERICA FOUNDATION POLICY RECOMMENDATIONS

Reform the homeowner's mortgage interest deduction. Existing incentives in the tax code can provide families with the extra cash they need to afford the costs of homeownership. Unfortunately, these tax incentives don't reach all Americans. Making the deduction refundable for more households earning under $50,000 will open this subsidy to families on the cusp of achieving the American Dream.

Enact a refundable tax credit for first-time homebuyers. Another way to effectively target lower-income homebuyers is to enact a first-time homebuyer's tax credit. A homebuyer's tax credit would be available to qualifying households for the three years after purchasing their first home, helping families sustain homeownership after trying so hard to achieve it. Qualifying households would apply for the refundable tax credit directly on their tax returns.

Expand viability of homeownership uses from restricted accounts. Every year, millions of Americans deposit a portion of their earnings into a restricted retirement account such as an IRA or 401(k). Yet, currently, working families have very little flexibility to use these savings for pre-retirement uses. IRA and Roth IRA rules should be amended to raise the one-time homeownership use allowance from $10,000 to $20,000, since this is a more contemporary down payment standard. Rules of 401(k) and 403(b) plans should be amended to permit savers to use their funds for first-time homeownership, thus making the rules consistent with those for IRAs.

FINDINGS FROM THE STUDY: EDUCATION

The most popular use of the IDA funds was education, chosen by almost half the participants. Some 35 percent spent it on education for themselves, 12 percent on education for a child and one percent on job training.

At 24 months past graduation from the IDA program, 72 percent had completed their degree, 23 percent were still working toward a degree and five percent said they did not intend to complete their degree.

Serena Cano, a single mother from San José, entered the program about six years ago, as she transferred from San José City College to San José State University.

The financial education portion of the program helped her analyze her budget and see how she could meet her goal of saving $2,000.

"I just cut back on unnecessary expenses, like getting my nails done, eating out and Starbucks coffee," she said. She was able to save about $90 per month. In fact, her son, now 14, didn't even feel the effects of her saving, since she cut back on money she was spending on herself, she said.

Cano used the $6,000 she had when she finished the program to pay for books, tuition and a laptop computer. She graduated from San José State with a bachelor's degree in biology and has since taken additional courses in nutrition. She teaches at 24 Hour Fitness® and has recently started doing personal training and nutrition consulting.

It was a big accomplishment for someone who started the program with no savings; indeed, she had never tried to save money before.

"We had a workshop about really knowing where your money goes," Cano said.

She learned to set aside money for gas, insurance and food, for example. And she was surprised when she saw how much money she spent on eating out, going to the movies and other discretionary items.

"I was in college and I was under the impression that I didn't have enough money to save," she said. "I figured that once I finished college, then I would start saving."

NEW AMERICA FOUNDATION POLICY RECOMMENDATIONS

Match and provide initial deposits to spur savings for post-secondary education among lower-income families. With the cost of higher education becoming out of reach for many lower-income families, the need to save for higher education has never been more acute. Matching contributions to 529 college savings accounts would help families effectively save for higher education.

Mandate the completion of a personal finance course for high school and create opportunities for K-12 teachers to receive financial education training. State and local governments should work to incorporate financial education into the K-12 curriculum and provide teachers with the training they need to offer age-appropriate skills and information.

Increase funds to low-income tax preparation sites to support financial education and counseling. Tax time is the perfect opportunity for all working families to become aware of their economic situation and make a financial plan for the future. In addition to funding low-income tax preparation sites, policymakers should find ways to support financial education programs that could be effective at other financial milestones such as purchasing a home, opening a bank account, or starting a retirement or college savings plan.

Ensure access to financial planning services. Like all Americans, low- and moderate-income families need quality financial counseling to manage debt and plan for long-term financial goals. Financial advice tailored to a family's specific circumstances can be quite costly. A private or government-funded "financial services corporation" could provide lower-income families with the financial education they need right in their own community.

Provide incentives and facilitate workplace financial education. It is through the workplace that individuals make most major financial decisions related to savings and investment. Unfortunately, few employers take the time to educate workers about the options and incentives available to them. The government should provide tax incentives to encourage employers to offer workers basic financial education.

Establish children's savings accounts. One of the most novel and promising ways to achieve a universal, progressive, asset-building system over time would be to provide each generation of children a restricted, start-in-life asset account at birth. These accounts would establish a universal platform and infrastructure to facilitate future savings and investment in productive assets such as higher education, homeownership or starting a small business.

FINDINGS FROM THE STUDY: MICROENTERPRISE

Lenin Brito of Los Gatos works as a mail handler for the U.S. Postal Service. But at heart, he is a musician with dreams of establishing a successful, long-lasting family business.

Brito was one of eight percent of the participants who used their savings to start or expand a small business. Some 80 percent of these respondents reported that, post-graduation, they still had their business or had sold it for a profit.

When Brito finished the program in early 2007, he used the $6,000 in his account to launch his company, One Way Productions. He got a business license and bought recording gear, computer software, a keyboard, a microphone and a computer.

"Music has been a hobby of mine for a while," said Brito, who is starting with soft rock and R&B-style music but hopes to branch out from there. "I decided to make it a career move about three years ago." The savings program has helped make that a reality.

"The IDA program gave me the encouragement that it is possible," Brito said.

The business is still in its early stages – he is working on songs as well as a flash video production. Brito hopes to produce his own music and sell it, and, later, produce music for others. One of his ideas is to package songs, videos and t-shirts together. At first, his music will be available for download, but he hopes later to produce CDs.

Brito worked overtime to make up for the cut he saw in his paychecks when his savings was directly deposited.

He is pleased that he was able to get his business started without taking out a business loan.

FINDINGS FROM THE STUDY: SAVING HABITS

Do IDAs create lasting changes in people's financial behavior or simply cause people to make short-term sacrifices in order to have their savings matched? The survey showed lasting changes.

"People really are developing a habit of saving that endures even after they no longer have the incentive of the match," said Weaver.

Before enrollment, only half the survey participants saved money regularly. At the end of the program, that number was 77 percent—a percentage that stayed statistically stable at one year and two years post-graduation.

Paulette Dellanini has continued saving and she and her husband have met their first financial goal: to be able to cover their monthly expenses and also have enough set aside to pay the mortgage for an extra month. Now they are aiming even higher: "We would like to have six months' savings put away," she said.

Other survey findings showed the depth of the behavior changes:

- For respondents who were saving and indicated how much they were saving, the average amount was $3,074 per year, or 10 percent of household income.
- Almost three-quarters used a budget to guide their spending after graduation, compared with only 58 percent at enrollment.
- Two years after graduation, 57 percent of the respondents had investments other than a savings account, 80 percent were setting financial goals and 54 percent had a financial plan for retirement.
- Before enrollment, just over half of the respondents had a savings account; after graduation, that figure was 80 percent. (This was an account separate from the IDA account, which was closed after clients graduated and spent the money.)

Respondents' children also showed sustained benefits two years after the saver had completed the IDA program.

Dellanini's oldest daughter, who along with her young son lives with Dellanini and her husband, is saving money instead of paying her mother rent. "That's the deal," Dellanini said. "My goal is that she have six months of expenses saved."

Survey results showed that two years after people had graduated from the program, 70 percent of their children had savings accounts and 57 percent were setting financial goals.

It is not easy to maintain a savings pattern and not everyone was able to keep up the same savings rate as when they had been in the program. Serena Cano, who used her savings from the program for education, is still saving, but not as much as when she was in the program. Still, there's a difference.

"Now I feel that I should be saving," she said. "I remember that feeling that I had when I was saving, just having that money, that tiny little treasure locked away. It did feel really good. And I think that's what motivates me to continue saving."

"If they can keep that up and ingrain those habits in the kids, over time that family is going to build wealth and become a really positive contributor to society," Weaver said.

NEW AMERICA FOUNDATION POLICY RECOMMENDATIONS

Improve the saver's credit. Expanding and improving the saver's credit is one of the most direct ways to provide working families with a concrete incentive to save. A number of improvements should be made, however, including: (1) making the credit refundable; (2) expanding eligibility to increase the number of families saving; and (3) expanding the list of products eligible for the saver's credit to include 529s, Coverdells, Health Savings Accounts, U.S. Savings Bonds and Individual Development Accounts.

Support savings incentives to lower-income savers through an EITC* or CTC *"saver's bonus." The EITC is widely recognized as one the most effective public policies aimed at helping low- and moderate-income workers achieve economic security. Policymakers should create a financial incentive for EITC and CTC recipients to save a portion of their refund. Anyone eligible for the EITC could be eligible for a larger refund if they deposited a portion of their refund into a savings or investment product. For example, the savings could be matched on a 1-1 or .5-1 basis up to a certain amount for the savings contribution, with the match being directly deposited into the savings product.

Allow taxpayers to split refunds into accounts for "money to save" and "money to spend" at the state level. In 2007, the IRS, for the first time, gave tax filers the opportunity to split their refund among multiple accounts. States should provide a similar option for recipients of state tax refunds and potentially match savings deposited in approved financial products.

Create a voluntary, state-wide universal 401(k) plan. To ensure every worker has a chance to save for retirement, a state could allow small businesses to participate in pooled accounts managed by the state's retirement system or, alternatively, open up the retirement system enjoyed by state employees to all workers. In addition, state and local governments should encourage companies to adopt "opt out" features in their retirement plans. Currently, workers are required to choose to participate in a company 401(k), or "opt-in"—meaning workers who do not take the active step to enroll are not saving for retirement. Employers should be encouraged to reverse this procedure to make saving for retirement the "default" option.

* EITC (Earned Income Tax Credit) and CTC (Child Tax Credit) are refundable federal income tax credits for low-income working individuals and families.

CONCLUSION AND RECOMMENDATIONS

The results of the Assets for All Alliance individual development account pilot phase show that, with the right incentives and support, low-income families can save consistently.

A habit of consistently saving money increases household stability and education, and it lowers the chances that the next generation of the family will be poor. When low-income families stop living paycheck to paycheck and start building assets, they begin to overcome barriers to self-sufficiency.

Providing incentives is key: Participants found all aspects of the program useful, including the financial education, regular savings and support from the program staff. But the most helpful aspect – cited by 97 percent of survey respondents – was the money that matched their savings.

Still, after they graduated from the program, most participants kept saving, showing that although the matching funds may be instrumental in helping families start saving, the practice becomes habitual over time.

And with the acquisition of some assets, such as a home or small business, comes greater participation in civic life through an increased sense of ownership and belonging to community.

"I help plan and staff events for the Chamber of Commerce. I'm involved in my community," said Dellanini, who saved to buy a house. "I set really high standards and goals for myself and my children that would have just been a dream before, but now it's reality."

Given these findings, and the fact that the bottom 40 percent of American households earn 10 percent of the nation's income but own less than one percent of the wealth, it makes sense for public policy to encourage *all* families to save.

Yet asset accumulation for middle class and wealthy Americans is encouraged through the tax system in ways that range from the home-mortgage interest deduction to tax-deferred retirement plans. Meanwhile, low-income individuals not only receive no incentive to save through the tax system, they often face a choice between asset development and eligibility for public assistance programs.

"It's a fairness issue," said Weaver.

Both savings habits and assets may be passed on to the next generation, giving them an advantage in their quest to rise out of poverty.

Lenin Brito, a saver with the Assets for All Alliance program, has continued setting money aside each month since finishing the program. He hasn't involved his children – ages 10, eight, seven and three – in his music production business yet, but he plans to.

"That was one of the goals for the business, that I teach them everything I learned so I can pass it on to them," he said.

For now, Brito's children are learning to play music. But he wants them to understand the business as well, from setting budgets and paying bills to filing copyright papers.

Brito's goals are twofold. First, he wants his children to understand bills and budgeting. And he hopes the business will eventually grow large enough that he can make it his full-time occupation. Then he would like to pass it on to his children so it can support his family "now and forever."

APPENDIX A: METHODOLOGY

This report is based on the results of a survey of graduates of the Assets for All Alliance individual development account program.

The survey was conducted, pro bono, from August 2004 through October 2006, by Pacific Consulting Group, a management consulting firm specializing in customer and employee satisfaction services. The firm designed, mailed, received and tabulated the surveys, then analyzed the data.

Each month Pacific Consulting Group sent out surveys to those who had just graduated from the program and those who had reached 12 or 24 months past graduation. Respondents were promised a $20 incentive for returning the surveys (this was increased to $40 for 24-month graduates). Materials were sent in Spanish, Vietnamese or Bosnian to speakers of those languages.

A total of 347 surveys were returned by 253 different program participants (some participants returned a survey at graduation, at the 12-month mark and, in a few cases, a third time at the 24-month mark). Of the surveys returned, 151 were from recent graduates, 113 from those 12 months post-graduation and 83 from those 24 months post-graduation. Researchers also looked at data from enrollment forms of another 100 current participants in the program to compare with the survey respondents.

Researchers analyzed differences between the three cohorts (at graduation, one year later and two years later) to show whether the behaviors learned in the program were maintained as graduates moved farther from the program.

Researchers also compared data from before enrollment to after graduation. Where pre-enrollment information was available for a specific respondent, that information was compared to the respondent's later answers for comparisons over time. If the pre-enrollment information was not available for a specific respondent (because the specific question had not been asked on the enrollment form at the time that person enrolled), the information was obtained for the 100 current program participants and compared with the survey results.

APPENDIX B: PROGRAM CHARACTERISTICS

Assets for All Alliance serves low-income workers in San Mateo and Santa Clara counties who are well-poised for and interested in achieving self-sufficiency. They must meet income criteria.

For instance, for a family of four living in Santa Clara County, the highest allowable household income is $63,660 or 60 percent of that county's median income. However, $63,660 is only 85 percent of what recent studies indicate is the income level required for a family of four to make basic ends meet in Santa Clara County.

These are the people who are caught in the middle between being on public assistance and realizing full self-sufficiency.

The statistics at right are for the 1,882 people who had enrolled in the program as of March 30, 2007:

ETHNICITY	PERCENTAGE
African-American	10%
Asian/Pacific Islander	21%
Caucasian	10%
Latino	39%
Native American	1%
Other	19%
Total	100%

Female	71%
Male	29%
Families (at least one adult and one child)	72%
Single Parents	41%
Median Family Income (monthly)	$1,964
Average Family Income (monthly)	$2,099

ASSET PURCHASES

Program to Date	People	Amount Invested
Microenterprise	115	$534,650
Education (job training, post-secondary, education for child)	552	$1,989,073
Home Purchase	137	$770,314
Home Improvements	126	$562,167
Retirement	241	$1,193,215
Total to Date	914*	$5,049,419

* The total is smaller than the addition of people in the different categories because the same person can have withdrawals for different goals.

ORGANIZATIONS WHO CONTRIBUTED TO THE REPORT

SILICON VALLEY COMMUNITY FOUNDATION

The merger of Community Foundation Silicon Valley and Peninsula Community Foundation took effect on January 1, 2007, creating Silicon Valley Community Foundation, a catalyst and leader for innovative solutions to the region's most challenging problems. Serving all of San Mateo and Santa Clara counties, the new community foundation is among the largest community foundations in the nation, with more than $1.9 billion in assets under management and 1,500 philanthropic funds. In a region known for innovation in business and technology as well as philanthropy, the new community foundation will address local needs and support Silicon Valley's charitable giving to causes locally, nationally and around the globe. The integration marks the first merger of equals involving two of the country's leading community foundations and sets new precedent in the philanthropic sector. Find out more at www.siliconvalleycf.org.

THE CENTER FOR VENTURE PHILANTHROPY

Silicon Valley Community Foundation's Center for Venture Philanthropy joins investors directly with community foundation staff and nonprofit leaders to understand community and nonprofit issues, problem-solve and structure their investments. Using a venture capital model, investors base "social venture funding" on results-oriented business plans focused on specific causes. Find out more at www.siliconvalleycf.org.

ORGANIZATIONS WHO CONTRIBUTED TO THE REPORT

LENDERS FOR COMMUNITY DEVELOPMENT

Lenders for Community Development (LCD) is a nonprofit community development financial institution that provides financial tools and training to low-income individuals, families and communities, helping them to move beyond poverty and toward self-sufficiency. Find more at www.L4cd.org.

PACIFIC CONSULTING GROUP

Pacific Consulting Group, founded in 1980, is a market measurement and management consulting firm specializing in customer and employee satisfaction. PCG serves government, commercial and nonprofit clients, and has worked with the Center for Venture Philanthropy since 2001 on a variety of surveys, providing their pro bono professional services in appreciation of the Center's positive impact upon residents in Silicon Valley. Find more at www.pcgfirm.com.

NEW AMERICA FOUNDATION

New America Foundation is a nonprofit, post-partisan, public policy institute that was established through the collaborative work of a diverse and intergenerational group of public intellectuals, civic leaders and business executives. Launched in 1999, its mission is to bring new voices and new ideas to the fore of our nation's public discourse. Ownership and assets has been one key focal point for their fellowships, research, writing, conferences and public outreach. Find more at www.newamerica.net.

"Initially, people were very skeptical about whether poor people would save. However, we found that not only did people continue to save, but they were able to keep their homes, start small businesses and obtain the degrees they were seeking."

Eric Weaver
Executive Director, Lenders for Community Development

"The success stories of those who participated in Assets for All show us that matched savings and financial education are important strategies for helping individuals and families build safety nets to move out of poverty and become more fully invested in the economic well-being of the region."

Emmett D. Carson, Ph.D.
CEO and President, Silicon Valley Community Foundation

If you have questions about the report or to request additional copies, please contact us. You can also download the report on our web site.

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Lenin, a postal worker, is starting a music production business that he hopes will eventually provide steady support for his four children.

Paulette went from being a homeless single mother of four children to owning a home.

And Serena, a single mother, has earned a bachelor's degree.

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