

Why the asset-building movement

By Heather McCulloch,
Principal/Asset Building Strategies



ver the course of the last 20 years, a national “asset-building” movement has grown rapidly in communities across the

United States. The movement is focused on building the financial security of working families through a broad range of practical strategies and public policies that enable low- and moderate-income individuals to save, invest and preserve financial assets.

To date, rural co-ops and other shared-ownership strategies haven’t been part of this national dialogue because the movement has been largely focused on individual ownership. This article offers readers an introduction to asset-building policy and practice with a focus on why it’s relevant to rural cooperatives. It also makes a case for why co-op leaders should engage with asset-building leaders to identify and advance common policy and practical goals.

What are assets and why do they matter?

There’s been a growing national dialogue about the importance of financial assets — cash savings, stocks and bonds, as well as home, business and real estate equity — in building the financial security of low- and moderate-income working families. While income is critical to enabling families to get by day-to-day, assets enable them to weather financial crises, invest in their children and their community, plan for a secure retirement and pass resources on to future generations.

Even before the recent recession, however, U.S. families were experiencing unprecedented levels of financial insecurity. Nearly one in four households was “asset poor,” meaning they had insufficient assets to survive, even at the poverty level, for more than three months if they experienced a job

loss or other income disruption. The economic crisis has only made matters worse as it has pushed millions of middle class families into income and asset poverty.

History of asset-building movement

The asset-building movement started in the mid-1990s with a national demonstration project focused on one strategy: Individual Development Accounts (IDAs). These are matched savings accounts that enable low-income individuals to save for a home, business or post-secondary education. The demonstration showed that low-income families would save if given appropriate incentives, similar to those offered to wealthier families through the tax code. The success of IDAs laid the foundation for a broader asset-building movement that has advanced a range of practical strategies and public policies to support low- and moderate-income families to access financial education and services, save, invest and preserve financial assets.

Over time, the movement has grown to include an array of stakeholders, including: local, state and national nonprofits; elected officials and public agencies; foundations; financial institutions and their regulators, and even the Federal Reserve. The growth of the movement has been fuelled by several factors, including:

- Increasing understanding of the importance of financial assets in enabling families to move to long-term economic security;
- Concern about the wealth gap, which, before the recession, was greater than at any time since before the Great Depression;
- And the fact that, today, the issues of concern to the asset-building movement — financial education, accessible and affordable financial products, home and business ownership, access to health insurance, foreclosure prevention and retirement security — are all of major concern to most working families.

Editor’s note:

Heather McCulloch is the founder and principal of Asset Building Strategies, a consulting firm in California that advances policies and strategies to support low-wealth families to build financial assets. She is a co-author of the report “Expanding Asset Building Opportunities Through Shared Ownership” and has authored numerous other publications on trends and emerging opportunities relevant to asset-building practitioners, funders and advocates. For more information, go to: www.AssetBuildingStrategies.com. The following article is based on remarks she made at the most recent ACE (Association of Cooperative Educators) conference, in Cleveland, Ohio.

matters for rural co-op members

Building bridges between asset building and shared ownership

With more than \$3 trillion in assets under their control, the nation's 29,000 cooperatives — including rural and urban cooperatives as well as credit unions — play a significant role in building the wealth of member farmers, ranchers and fishers and co-op workers. For the most part, however, they've been off of the radar screen of the asset-building movement.

Now is the time to make the connection between the shared-ownership and asset-building movements in a way that benefits all stakeholders. Reaching out to, and educating, asset-building supporters about the wealth-building value of rural cooperatives could bring new attention, skills and resources to rural communities.

Rural co-op members could benefit from learning about — and connecting to — a range of asset-building strategies that would strengthen the financial security of member families and workers. Furthermore, building members' individual assets should help to strengthen the long-term sustainability of cooperatives, making it less likely they would be susceptible to demutualization proposals.

At the same time, the asset-building movement would benefit from the participation of these cooperative members and their workers, who represent an important new constituency from rural areas.

One national asset-building funder has been working to make the connection between the movements. In 2008, the Annie E. Casey Foundation published a framing paper and convened national leaders of the asset-building and various shared-ownership movements — including rural co-op supporters — to help them determine how to build bridges between the movements in a way that would help them to identify and advance common goals (Editor's note: the author has consulted with the Annie E. Casey Foundation on this effort since 2008).

In 2009, the Foundation supported two national working groups — one focused on shared home ownership, the other on shared business ownership — to encourage collaboration in the areas of public policy, practice, research and information sharing. This year, the foundation has been supporting efforts to educate people involved in asset building about the wealth-building potential of shared ownership strategies through media outreach, webinars and presentations at workshops and conferences.

Where do we go from here?

If we agree that the asset-building movement has much to learn about the wealth-building potential of rural cooperatives, and that the rural cooperative movement has much to gain from engaging with the asset-building movement, the next question to ask is: Where do we go from here?

For starters, rural co-op leaders could quickly get up to speed on asset-building policy, practice, research, trends and funding sources by exploring the following resources:

- Asset Funders Network (www.assetfunders.org);
- Center for Social Development at Washington University (www.csd.wustl.edu);
- CFED (www.cfed.org);
- Democracy Collaborative/Community Wealth Building Program (www.community-wealth.org);
- Institute on Assets and Social Policy at Brandeis (www.iasp.brandeis.edu);
- New America Foundation/Asset Building Program (www.assetbuilding.org).

In addition, rural co-op leaders could explore other ways to make the connection to asset-building practitioners, advocates and funders. For example, asset-building coalitions are now operating in more than 40 states, and an increasing number of county and regional coalitions are emerging. These coalitions are advancing a broad range of policies and practices that support low-wealth families to build financial assets. They offer opportunities for rural cooperative leaders to network with new partners and leverage resources.

National asset-building intermediaries also offer unique opportunities. CFED, one of the nation's leading national asset-building intermediaries, recently launched its "Innovators-in-Residence" program, which offers a \$50,000 stipend and technical support to individuals with new ideas about how to take strong asset-building strategies to scale. New America Foundation, another national intermediary, hosts a blog that includes guest postings about ways to expand the national dialogue about asset-building policies, practice, trends and opportunities.

Rural cooperative development may not be a new idea, but it is a powerful wealth-building strategy that deserves the attention of the asset-building field. Now is an opportune time for rural cooperative leaders to make their voices heard.

