

Foreword

Children do well when their families do well, and families succeed when they are economically secure and able to provide for their needs. But too many Illinois families struggle financially, which can mean an unsure future for their children.

Asset building is a public policy and private sector strategy that aims to build economic security for current and future generations.

By enabling people with limited financial resources to accumulate and preserve long-term assets such as savings, a home, post-secondary education and more, families can get ahead and have something to help them through tough financial times.

This “Illinois Kids Count” report uses data to illustrate some asset-building factors and provides policy recommendations that encourage people to build assets and strengthen their families. While some statewide and county-level data is provided in this report, other statistics are available online at www.voices4kids.org/kidscountdata.htm.

Asset Building—A Path to Economic Security *Main Essay*

The Parkers are a hard-working, yet struggling family of three. Linda Parker is a 28-year-old single mother to Joshua, 11, and Danielle, 4. Despite having Joshua at a young age, Linda finished high school with the help of her mother. She worked two jobs until she enrolled in a nursing assistant program. Now she has a single job as a nursing aide at a hospital in Bloomington, but she still must work long hours. She no longer lives with her mother, but because she must spend every dollar on basic necessities like rent, utilities and food, she doesn't have any savings. Linda believes earning a bachelor's degree in nursing could be a window to financial stability for her family, but she doesn't see how it is possible. She already spends a lot of time away from Joshua and Danielle, and she doesn't have money to pay for school in addition to her other bills. Linda wants to make sure her children have the opportunity for a successful future, but she doesn't know how she can make it happen.

The Parkers are a fictional family, but their situation is all too real for the thousands of Illinois families who are struggling day-to-day to make ends meet. One-third of Illinois children are growing up in low-income families that earn less than twice the federal poverty level, or \$30,438 for a family of three in 2004.¹ That's the minimum amount needed for most families to provide for basics such as adequate food, stable housing and health care. The Economic Policy Institute's basic family budget calculator (see table below) estimates the income needed in communities across the county to feed, shelter and clothe a family, get to work and school and basically subsist. The calculator estimates that a family of three in Bloomington needs to

The question is not whether families are struggling financially, but how can we improve outcomes for those families?

Basic Family Monthly Budgets for One Parent, Two Children, 2004

Metropolitan Statistical Area	Housing	Food	Child Care	Transportation	Health Care	Other	Taxes Necessities	Total	Annual Total
Bloomington-Normal	\$612	\$405	\$763	\$275	\$285	\$275	\$104	\$2,718	\$32,628

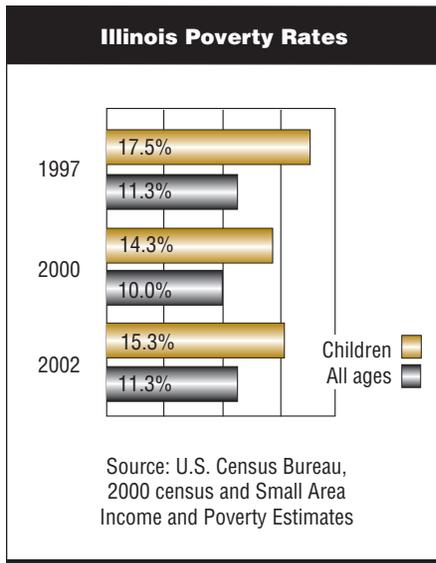
Source: Economic Policy Institute. Calculate a basic family budget for other family sizes at www.epi.org/content.cfm/datazone_fambud_budget

earn \$32,628 to cover necessities.² Linda Parker needs a full-time job that pays \$15.69 an hour to earn this salary; unfortunately, the average hourly wage for nursing aides in Bloomington was just \$9.93 in 2004.³

Although there are many influences on a family's path to success, a large determinant is the family's economic security, or the ability to become economically self-sufficient in a way that promotes health and well-being in the short and long term. It's not an easy goal for many families. Nearly one in five American households owes more than it owns.⁴ Nearly 42 percent of Illinois households don't have a savings account.⁵ The question is not whether families are struggling financially, but how can we improve outcomes for those families? What policies will ensure that a successful economic path for low-income families is likely instead of against all odds?

What is Asset Building?

A strategy that aims to build economic security for current and future generations is "asset building." Asset building describes public policy and private sector efforts that enable people with limited financial resources to accumulate and preserve long-term assets such as savings, investments, a home, post-secondary education, a small business, and retirement savings. Assets help families get ahead and provide something to fall back on during unexpected troubles, such as a job loss or medical emergency.



"People who have assets are more economically secure, have more options in life and can pass on opportunities to their children and future generations," said Douglas Whitley, president and CEO of the Illinois State Chamber of Commerce. "Building assets helps people reach the middle class and achieve economic independence."

In addition to financial assets in the form of income and savings, it's just as important for people to have assets of human capital and social capital, which are means to maintain stability and build wealth. Human capital is a person's education, skills and abilities. Social capital is a person's social connections — people who can provide contacts on job leads, affordable housing, child care and so on. For example, Linda Parker could build her family's assets by learning about a scholarship that can help her afford college and eventually get a higher-paying job as a nurse.

The ultimate goal of asset building is to provide a secure foundation for all people to build upon in order to reach their full potential and contribute fully to society. Communities as well as local, state and national economies are strengthened by asset building and workforce development.



"People who have assets are more economically secure, have more options in life and can pass on opportunities to their children and future generations. Building assets helps people reach the middle class and achieve economic independence."

—Douglas Whitley, president and CEO, Illinois State Chamber of Commerce

Building assets is a way to achieve the American dream, but not everyone has equal access to that dream.

Much like the G.I. Bill of Rights that helped soldiers returning from World War II to get educations, jobs and homes, asset building is an investment strategy that allows people to live out their own aspirations while creating greater social and economic benefits for all. Asset building does not apply to low-income families alone; it is wise for everyone to have savings for emergencies and a nest egg for the future.

Obstacles to Asset Building

Building assets is a way to achieve the American dream, but not everyone has equal access to that dream. People who aren't in the financial mainstream or who lack the education necessary to build assets must have access to opportunities, incentives and supports to succeed. Although accumulating wealth can be difficult for many people, low-income Illinoisans face some unique challenges.

Many families, as illustrated by single mother Linda Parker,

find that saving money is difficult when every dollar is spent out of necessity. Low-wage jobs don't pay enough for many families to become economically self-sufficient and can make some investments in a better future, such as quality preschool or higher education, out of reach. This lack of assets and opportunities not only leaves families to struggle in the present but affects future generations — an estimated 80 percent of financial assets are inherited from prior generations.⁶ Making sure that Illinois has public policies that encourage savings, investments in education and asset accumulation can help break this cycle of poverty.

It can be difficult for low-income families to learn about or access products and services that can help build assets. Many struggling families live in economically or geographically isolated neighborhoods where they pay more for food, clothing and other basics because large retailers, especially supermarkets, tend to steer clear of poor communities.⁷ This results in higher prices and less selection at local businesses, or high interest rates on weekly or monthly payments charged by rent-to-own centers.

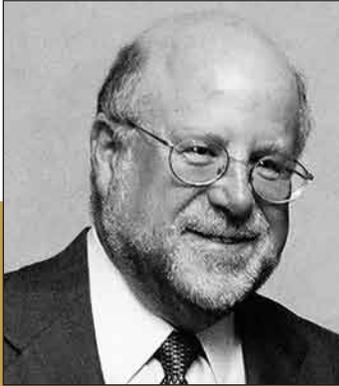
Asset building does not apply to low-income families alone; it is wise for everyone to have savings for emergencies and a nest egg for the future.

The lack of a bank or credit union can cause people to use “payday loan” or check-cashing services that charge astronomical interest rates. Low-income earners who turn to credit cards to meet needs increase their debt; the resulting poor credit makes it harder to borrow money in the future, such as to buy a home. Families with bad credit or no credit history are unable to secure mortgage funding from traditional, or prime, lenders and instead must turn to high-interest loans from subprime lenders.⁸

There also are systemic problems that make it difficult for families to get ahead. Illinois' tax system is an obstacle to asset building because low- and middle-income families pay a greater share of their incomes than wealthier families. This is called a “regressive” tax system, and Illinois' tax system was named one of the 10 most regressive in the country by the Institute on Taxation and Economic Policy, a non-profit, non-partisan research and education organization based in Washington, D.C.⁹

Encouraging Asset Building

“Building individual wealth begins with education,” said Jerry Stermer, president of Voices for Illinois Children. “Once people are educated about the power they have, they are better equipped to make choices that will secure their financial future.”



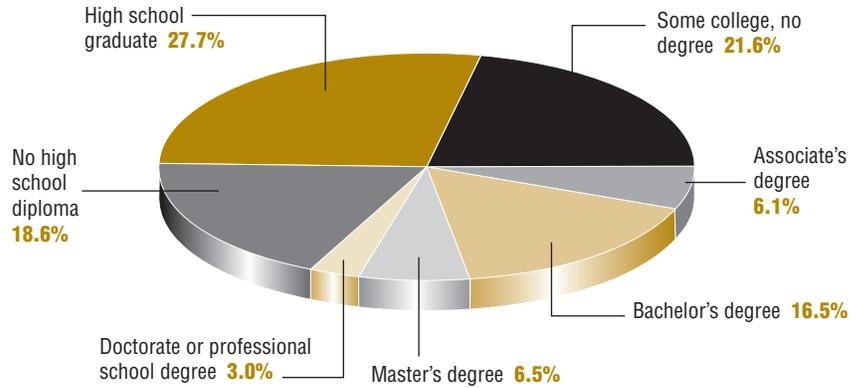
“Building individual wealth begins with education. Once people are educated about the power they have, they are better equipped to make choices that will secure their financial future.”

—Jerry Stermer, president, Voices for Illinois Children

The Illinois Asset Building Group is a statewide coalition working to build financially strong families and communities that Voices for Illinois Children is helping to lead, along with Sargent Shriver National Center on Poverty Law and Heartland Alliance. The coalition has identified the following areas as priorities to help people build and protect assets:

- Lifelong education and training**
 - Ensure all Illinoisans can build employment credentials and earning power through access to quality educational and training opportunities, starting early and continuing throughout life. More than 90,000 children, ages 3 and 4, who are at risk of school failure attend preschool, but thousands more lack access to quality early

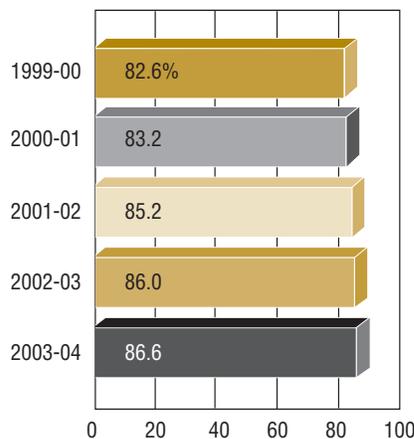
Educational Attainment for Illinoisans 25 and Older, 2000



Source: U.S. Census Bureau

learning opportunities. While 86.6 percent of Illinois students graduated from high school in 2003-04, only 71.1 percent of low-income students did. And just one-third of Illinoisans over 25 have attained an associate's, bachelor's, master's, doctoral or professional school degree.

High School Graduation Rates



Data reflects the percentage of all income tax filers who filed for the EITC.

Source: Illinois State Board of Education

- Health care** – Ensure all Illinoisans can attain maximum productivity and quality of life through high-quality, accessible and affordable health care. Health insurance provides a critical financial safety net because medical bills are a major reason Americans file for bankruptcy.¹⁰ Illinois' KidCare and FamilyCare insurance programs have expanded to cover more low-income, working parents and their children in recent years, with FamilyCare eligibility slated to rise to 185 percent of the poverty level starting Jan. 1, 2006. More than 1.1 million low-income children and 840,000 adults are covered. While an estimated 9.8 percent of all Illinois children are still uninsured according to new county-level data released by the U.S. Census Bureau in July 2005, the proposed All Kids program would provide health coverage to all uninsured children.

- Financial security and investment**
 - Ensure Illinoisans can make educated financial decisions, meet today's financial needs and save for the future through access to mainstream banking products and institutions.

“Through my training as a student banker, and as a new owner of my own bank account, I learned how to manage my money and how to get on a budget. I pay a lot more attention to prices while shopping, save a lot more now, and I check my balance all the time.”

—Rudi Morales, former Curie Metro High School bank branch president

In Illinois, 14.6 percent of households have no net worth, only 32.6 percent have checking accounts and 57.7 percent have savings accounts.¹¹ People who don't have bank accounts have a lower net worth than those who do.¹² Predatory lending practices hit low-income families especially hard. New state “payday loan” rules aim to protect families by capping loan amounts and fees, preventing over-borrowing and other measures.

- Housing, home ownership and utilities** – Ensure all families have a stable foundation for learning, working and overall well-being and the possibility of an appreciating investment through safe, adequate and affordable housing. Housing is considered affordable if it costs no more than 30 percent of a household's income.¹³ One-third of Illinois households are renters. An average Illinois household would need to earn an hourly wage of \$15.44 to afford fair-market rent for a two-bedroom unit.

- Small business development** – Ensure opportunities, resources and supports for small business owners to promote local economic development and small business success. There are more than 1 million small businesses in Illinois, and businesses with fewer than 500 employees accounted for 49.3 percent of the state's non-farm private workforce in 2002.¹⁴

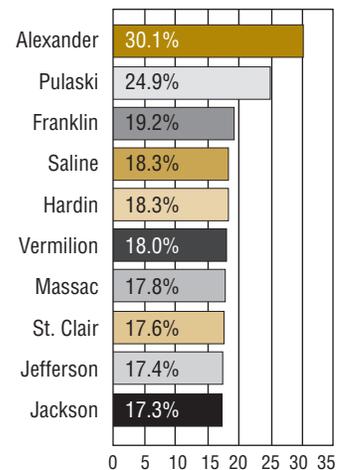
- Transportation** – Ensure everyone has access to jobs and community resources by expanding transportation options that connect workers with employers especially in underserved areas. Low-income workers list transportation as the second greatest barrier to employment, after child care.¹⁵ Transportation is unevenly distributed throughout the state, with 30 percent of Illinois counties lacking any form of public transportation.¹⁶

- Tax policy** – Ensure low-income families are better served by state tax and budget policies, and create

“Too many families in Illinois are living on the financial edge. We can help Illinois residents achieve the American dream by removing barriers to asset accumulation, supporting asset building and protecting assets that already exist.” —Dory Rand,

supervising attorney for community investment, Sargent Shriver National Center on Poverty Law

Counties with the Highest Rates of Illinois Earned Income Tax Credit Filings



Source: Illinois Department of Revenue, filings for tax year 2003

accessibility and transparency to the budget and tax process. Illinois' regressive tax structure causes the poorest 20 percent of households to pay nearly 13 percent of their income in state and local taxes, while the wealthiest 1 percent spend less than 6 percent of their income on such taxes.¹⁷ Policies such as the Illinois earned income tax credit give low-income families a small boost. In tax year 2003, more than 718,000 families received an average benefit of \$92 from the state EITC.

“Too many families in Illinois are living on the financial edge,” said Dory Rand, supervising attorney for community investment at the Sargent Shriver National Center on Poverty Law, a Chicago-based advocacy organization. “We can help Illinois residents achieve the American dream by removing barriers to asset accumulation, supporting asset building and protecting assets that already exist.”

Public Policy Recommendations

Illinois can encourage more families to build assets by expanding on successes such as the state earned income tax credit, expanded access to preschool and increased health care coverage as well as creating new opportunities. The following recommendations aim to expand opportunities for people to build assets, strengthen families and provide a better future for themselves and their children.

“Helping more children attend quality preschool and early education programs today means they will be better prepared tomorrow for the responsibilities of citizenship, community leadership, and the workplace.” —Ricardo Estrada, president and CEO, Erie Elementary Charter School

Ensure all young children have access to high-quality preschool experiences. Young children who have quality early learning opportunities are more likely to succeed in school and in life. Illinois should build upon its recent successes in expanding preKindergarten by providing preschool to all 3- and 4-year-olds whose parents choose to participate. The Early Learning Illinois campaign recommends a “preschool for all” approach that increases access and improves quality over several years, starting with the most at-risk children.

Reform the tax structure. Illinois’ state budget suffers from a deficit that totals over \$2 billion. That means state taxes don’t produce enough revenue to keep up with current needs, let alone those of tomorrow. Over-reliance on local property taxes causes huge funding disparities for schools. Kids and families suffer as health and human services erode because programs have been pared back. Illinois must stabilize resources for health and human services and boost school funding by increasing the state income tax, which is among the nation’s lowest, and expanding the sales tax base to include more services.

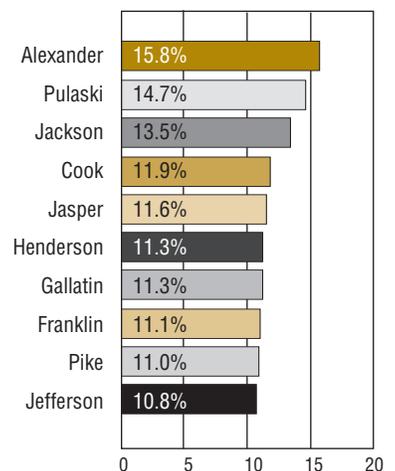
Improve tax credits for low-income, working families. The Illinois Earned Income Tax Credit offsets some of the disproportionate share of taxes paid by low-income families by providing credits of up to \$200 each. But set at only 5 percent of the federal EITC, the state EITC is among the smallest in the nation. Illinois should raise the state EITC to 20 percent to provide families with more financial help and an incentive to work.

Strengthen health care for low-income children and families. Insurance programs such as KidCare and FamilyCare are making great strides in helping working-poor households get the preventive health care they otherwise can’t afford or access. Illinois must continue efforts to reach the many people who lack coverage and to ensure all eligible families are enrolled. One way is to approve the All Kids program, which would provide health insurance to all uninsured children. This would close the gap and make Illinois a national leader in providing comprehensive health care for children.

Help families plan for the future with special savings accounts.

State government should contribute to Individual Development Accounts that help low-income families build assets over the years to pay for needs such as college tuition, a down payment on a home or small business start-up costs. Combining families’ own savings with matching funds from public and private sources can help families emerge from poverty. In addition, Illinois should make college savings plans more attractive to low-income families. Current incentives to invest in these “529” plans are skewed towards people with higher incomes. Low minimum deposit requirements, low maintenance fees, waived application fees and matched contributions should be offered to low-income investors.

Counties with the Highest Rates of Uninsured Children



Source: U.S. Census Bureau, Small Area Health Insurance Estimates, released in July 2005.

Ensure working families have access to good child care.

Reimbursement rates paid to child care providers that accept state subsidies are woefully low in many communities and have not changed in more than five years. This erodes program quality and availability. Illinois should fix these rates based upon the research of an Illinois Department of Human Services advisory committee authorized by the Governor and legislators.

Give parents paid leave to address family matters.

Too many moms and dads cannot afford to take unpaid time off work to attend to family issues such as the birth of a child or a family member's illness. Illinois should build upon the unpaid, federal Family Medical Leave Act and establish a paid-leave policy, setting up an insurance program that helps families through their times of greatest need and responsibility.

Continue to improve Illinois' child support system.

For many single parents, child support can mean the difference between falling into poverty and staying afloat. In recent years, Illinois has received national recognition for improvements to its system. Illinois should continue to upgrade efforts to establish children's paternity and help parents and employers make better use of the system through electronic transfers of child support payments. Constant monitoring of the system, and its improvements, also are necessary.

How to Support Asset Building

Use this list to shape discussions about ways your community can support children and families by encouraging the building and maintaining of assets.

Does your community have access to the following asset-building supports? Is information about these supports widely available and provided in several languages? Is it easy for people to enroll in programs, and are all people who are eligible enrolled?

Lifelong education and training

- ✓ High-quality early education and child care
- ✓ GED, adult literacy and ESL programs
- ✓ Community colleges and other higher education opportunities
- ✓ Youth development, recreational and after-school programs
- ✓ Paid time off so parents can participate in their child's schooling
- ✓ Libraries

Health care

- ✓ Specialty health services such as pediatric care, mental health screening and services, reproductive health, dental care

- ✓ Insurance programs such as Medicaid, KidCare, FamilyCare, WIC
- ✓ Sufficient medical providers so every child can receive quality and consistent care

Financial security and investment

- ✓ Traditional financial institutions, such as banks and credit unions
- ✓ Free tax preparation and credit counseling services
- ✓ Affordable loan programs
- ✓ Financial literacy programs for adults and children

Housing, home ownership, and utilities

- ✓ Affordable housing for renters and owners
- ✓ Home ownership programs

- ✓ Grant programs for home repairs
- ✓ Utility assistance programs

Small business development

- ✓ Small business education and loan programs
- ✓ Computers, high-speed Internet and web training

Transportation

- ✓ Public transportation options that meet needs
- ✓ Grants or loan programs for vehicle repairs

Tax policy

- ✓ Education programs about the earned income tax credit and property taxes
- ✓ Adequate state fiscal support for schools
- ✓ Fair distribution of tax burden among low, middle and high-income earners
- ✓ Understanding of the need for adequate public funding for education, health care, and other critical supports