The Financial Clinic
Creators of **Change Machine**

The Pivotal Role of Human Service Practitioners in Building Financial Capability

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Foundations of Asset-Building Work

In *Assets and the Poor* (1991), Michael Sherraden begins by noting the consequences that followed decades of miscalculations in welfare policy: He wrote "In the advanced welfare states of Western Europe and North America, social policies for the poor have been constructed primarily around the idea of income, that is, flows of goods and services" setting up the key point: the importance of holding assets, not income, as the key to framing solutions that alleviate poverty.

> ***"A purely income-oriented approach to poverty [...] has largely excluded the concepts of savings, investments, and asset accumulation as attainable possibilities for all families and communities."***

A purely income-oriented approach to poverty—which Dr. Sherraden argues, and I wholeheartedly agree that we have presently failed to transcend—has largely excluded the concepts of savings, investment, and asset accumulation as attainable possibilities for all families and communities. When in fact, these same concepts that drive financial planning and wealth management for higher wealth brackets are equally applicable to families on the other end of the income spectrum. Our failure to include these concepts in building sensible policies has had the unintended consequence of minimizing our ability to understand how these outcomes areas in personal finance can inform larger breakthroughs.

Nearly 30 years after the publication of this groundbreaking work, at the Clinic we continue to witness firsthand our nation's failure to embrace these concepts into its vision for combating poverty. But yet, our customers—and their outcomes for which we have played a small role in facilitating, are a testament to the power of forward-thinking, strengths-based, and passionately-held—approach to combating poverty.

The Pervasiveness of Financial Insecurity

The journey from financial insecurity to security, and eventually, mobility—what we conceptualize and even romanticize as **the quintessential American experience—is one that far too often ensnares people at the insecurity stage,** particularly those communities or neighborhoods that have historically been marginalized and deliberately excluded from the traditional pathway towards prosperity. Fraught with debt and credit crises, alongside a myriad of predatory products and lending practices, to a sense of stigma and shame many Americans feel because of their economic status, financial insecurity involves navigating a world on a daily basis where everyday needs are at the mercy of unjust and uncontrollable variables.

The world gets even more nuanced when diving deeper into the intricacies and the labyrinth of financial insecurity, from medical debt to students loans, from predatory loans to tax scams, from banking blacklists to mismanaged credit reporting.

How "expensive it is to be poor" is a daily reality for far too many Americans.

> ***"Financial insecurity involves navigating a world on a daily basis where everyday needs are at the mercy of unjust and uncontrollable variables."***

It is a reality that as practitioners, we must work to address and embed financial security into our existing programs, because it pervasively has consequences across the spectrum of human services.

Through our shared professional experiences, we all know how the lack of a credit history can be a barrier to securing a quality job.

We can all relate with domestic violence advocates whose inability to resolve financial entanglements can make it that much more difficult for survivors to leave an abusive and violent relationship.

We can find parallels in our own work with the foster care field, in which the absence of a relationship with a financial institution can impede independence.

As practitioners, we can appreciate how financial service offices at community colleges, readily point to the perils of when there is more semester, than loan.

Building financial security is going to require more than higher wages. It's about establishing—and ultimately, achieving—measurable outcomes which on a fundamental level reduce harm, diminish barriers, and accelerates how working Americans living in poverty move closer to mobility and a future we all deserve.

The Three Iterations of the Asset-Building Field

If we think of our moment—**against the backdrop of some major political and cultural changes**—as one that may be a turning point, than let's reflect on where we've been. In the course of the Clinic's trajectory to date, I've come to see the growth of the asset-building field in three broad iterations of our learning and understanding:

An exponential growth of research that deepens our understanding on the causes of financial insecurity; the emergence of financial coaching as a powerful heir to asset-building's mantel; and the promise of scaling financial security's impact by democratizing the solutions with all human service practitioners, in every anti-poverty effort.

GROWTH IN RESEARCH

1

Starting back at the top, the first iteration involves, quite literally, the Clinic's first business plan.

During the initial drafting, all of the academic research, intermediary reports, and NYTimes articles I cited—justifying a focus on working poor people's personal finance—could fit into one paper file folder. The research environment, up to that point, was mostly, and justifiably, concerned with fighting the central battles of the third-way era: Correcting the mistaken belief that a generous and humane welfare state would reduce labor force participation and hinder personal responsibility.

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The founding of the Clinic was rooted in lawmakers’ historical failure to build meaningful welfare policy, and understand that an unwillingness to work was not a driver of poverty. As we all know, work and poverty co-exist, an astounding and unacceptable reality, especially given what America is truly capable of.

Thus, I embarked on a path to broadly work within human service efforts holistically, but most specifically to advocate for working poor people. For those who had been unfairly—and I would argue, deliberately—categorized as financially secure just because they had a job.

Today is a very different landscape. A growing number of dynamic leaders are forging new boundaries of a rapidly growing field. Renewed intermediaries are shaping national conversations about the devastating role of institutional racism. Emerging government agencies are helping bureaucrats understand that poverty isn’t only a matter for the public welfare agency. **Nonprofits are banding together to increase financial inclusion through technology-driven platforms**; Philanthropy is raising our expectations for evidenced-based and results-oriented interventions; And of course, thousands upon thousands of community-based organizations are leveraging their expertise for new practices and products that scale or replicate their success.

Far from anemic research on the hardships of working poverty, we are awash with ground-breaking insights from thought leaders such as Raj Chetty, Darrick Hamilton, Frederick Wherry and Michal Grinstein-Weiss—and many more—are owed our gratitude for not only deepening our understanding on the causes of financial insecurity, but informing policies and solutions that accelerate financial security and mobility.

FINANCIAL COACHING

My understanding of the asset-building field’s second iteration is fundamentally intertwined with the Clinic’s programming and approach to direct services, in which financial coaching has become a powerful heir to asset building’s mantel.

The poverty alleviation field is becoming less and less a collection of band-aids attempting to cover up a much deeper wound. Instead, we built our outcomes framework for financial coaching, quantified by Assets, Banking, Credit, Debt, Taxes, and Financial Goals. In all cases, **the goal *MUST* be the driver**.

Without it, we would never have the lasting impact we knew a behavioral approach would have. One that focused on centralizing what a customer would move mountains for; then working backwards and developing an action plan accordingly.

As Mauricio Lim Miller recently wrote in his new book *The Alternative, Most of What You Believe About Poverty is Wrong* (2017) when he was challenged by Gov. Jerry Brown to come up with a plan to spend a $10 million anti-poverty grant, he replied: “I would challenge those families to show us what they would do to build their own lives.”

At the Clinic, we call this approach the “but for” litmus test: “But for” the debt or credit problem that caused you to seek us out, what does your future look like? “Well, if it wasn’t for my massive student loan debt, I might be able to to start a catering business.” “If it wasn’t for my terrible credit, I would have been approved for a new apartment a long time ago.” **These are the voices of America’s poor** who, “but for” an immediate financial crises, are more than capable of applying their own strengths towards building their own assets.

Our faith in the power of financial coaching was affirmed in 2015 with a randomized control trial—commissioned by the Consumer Finance Protection Bureau and conducted by The Urban Institute—which studied and measured the effects of financial coaching for low to moderate income families, including the Clinic's model as well as a United Way program, Branches in Miami. This "gold-standard" evaluation found that customers with annual incomes of $22,000 who participated in our financial coaching achieved and average of:

- **$1,700 more in savings,**
- **a 33 point increase in their credit score, and**
- **over $1,000 reduction in debt.**

Critically, it found significantly higher confidence levels when study participants were asked about the prospect of reaching their financial goals. This gets at the heart of why we do what we do, and why we're so passionate about its value in today's discourse on poverty alleviation.

The third iteration brings our chronology more to the present, as well as a resolute vision for our shared future.

3

DEMOCRATIZING SOLUTIONS

Elated and now armed with the knowledge that financial coaching was more than "boutique"—by the way I should pause here to note that this was unfortunately a real critique early on—but rather a proven method for addressing financial insecurity, we pivoted quickly to our goal of disseminating our embedding approach with other human service sectors.

In addition to the study, two stark realities galvanized us:

- **Financial insecurity is pervasive. The root causes and conditions of poverty affect all social issue areas; and**
- **There just isn't enough funding to get everyone who needs one, a financial coach.**

By streamlining and democratizing the solution, we arrive at the enormous potential for human service practitioners to produce similar outcomes nationwide, while broadly providing a blueprint for how systems combating poverty can be strengthened.

The Financial Security Ecosystem

The US Department of Labor reports that there are 1.8 million workers on the front-lines of anti-poverty work. My vision is that every one of them have a financial security tool, product, or practice in their arsenal that informs their unique mission and meet their customers

***"There are 1.8 million workers on the front-lines of anti-poverty work.** My vision is that every one of them have a financial security tool, product, or practice in their arsenal that informs their unique mission and meet their customers where they are.*

where they are. Imagine a social service universe where: Job developers had all the tools they needed to spot credit problems. Domestic violence advocates had practices in place to screen for financial abuse. Child protective workers had products that helped them guard foster care children against identity theft, and community college counselors readily and effectively paired financial goals with career goals.

"The real promise for this work [...] is ultimately building partnerships with other human service sector and organizations, understanding their needs, and advancing a framework that helps them accelerate mission."

The real promise for this work to truly scale the impact of the field's first rigorous evaluation is ultimately in building partnerships with other human service sectors and organizations, understanding their needs, and advancing a framework that helps them accelerate mission.

When we pair those case managers, advocates and counselors with an on-site financial coach, and then leverage that expertise for systems change, we have arrived at the Clinic's flagship program, the "financial security ecosystem." We've created and launched several ecosystems to embrace, and ultimately propel—drawing on what the business community calls—"dynamic and co-evolving communities of diverse actors who create new value through increasingly productive and sophisticated models of collaboration."

While we eagerly await offers from our research friends on an independent evaluation the data from our first fully completed ecosystem with a group of workforce development organizations in New York City, could not have been more clear: We've helped our partners' build their participants' financial security, which correlated with better workforce outcomes, including increased placement rates and starting wages. We have also focused on program sustainability by helping tweak job descriptions, raise grant funding for on-staff financial coaches, and invested in marketing materials that showcased their new strategies.

For the purposes of these remarks, I'd like to focus on the advances the ecosystem makes for the human service practitioners. Direct service providers are essential to the success of an ecosystem, but they are often but for one paycheck away from the people they help.

So **it is critical that embedding strategies start and flourish with practitioners**. To that end, we were thrilled that job developers and career coaches in the eight nonprofits in our first ecosystem built their own financial security in the following ways:

- **More than half started or made adjustments to their personal spending and savings plans**
- **Just less than half started or increased their contributions to retirement savings**
- **The overwhelming majority of workforce practitioners created an auto-deduct feature to their savings—36% increase from start of program—and**
- **More than half said "very confident" that they would reach their financial goal—a 20% increase from the start.**

The intricacies of this multi-faceted, ecosystem approach have a demonstrated ability to amplify outcomes and together accelerate mission.

> ***"An equitable future for every American is possible."***

Friends and colleagues, not only is this work scalable, but what it can lead to—an equitable future for every American—is possible. But it will require us to be forward-thinking, strengths-based and passionate—and perhaps in some cases angry enough at the collective failures of our past—to make it happen.

We are capable of developing meaningful policy at all levels which takes these outcomes and achievements into account when reimagining the responsibility that government has for combating poverty.

Conclusion

To close, I want to share with you two questions we are asking ourselves as we build these ecosystems of financial security nationally, and ask you to join us as we seek the answers.

THE FIRST QUESTION:

As we arm human service practitioners with tools and resources to help their customers build financial security, how do we help them to also think like financial coaches?

We know that an asset-orientation to poverty alleviation is immensely powerful, but where practitioners are traditionally trained to solve problems, it's understandable that they might fall short of leveraging all of their constituents' assets. These assets are not just monetary, but inherent strengths relating to their strong relationships with their communities, their love and devotion to their family, and their dreams for the future.

Our collective mission must include helping traditional anti-poverty professionals shift from a case-management, problem-solving approach towards a holistic, action-based outlook.

THE SECOND QUESTION:

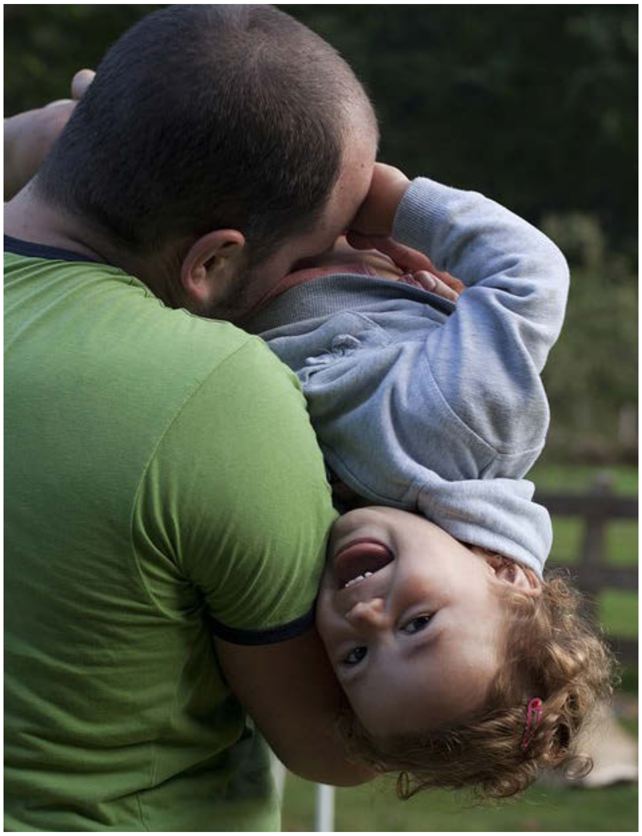
How can we help practitioners honor the communities we all care about as the preeminent "experts in their own lives," as Mauricio Lim Miller (2017) notes?

There is no greater strength than our customers' financial goals: their forward-thinking, strengths based, passionately held vision for their own future. As my team continues to work with thousands of practitioners across the country, we strive to help case managers, advocates and counselors hold their communities own vision for the future as their greatest strength, the North Star for financial mobility?

> ***"There is no greater strength than our customers' financial goals: their forward-thinking, strengths based, passionately held vision for their own future."***

Focusing on our communities *strengths and experts* and honoring them as the experts that they are, are organizational, field and cultural changes that the Clinic certainly isn't going to resolve ourselves. With that in mind, it is my hope that you might be so inspired to join us in answering these two questions.

Meet Dwight



I'd like to close with a story about a man named Dwight.

For many years the Clinic has partnered with a large reentry agency that also promotes alternatives to incarceration. Between our two organizations, it wasn't hard to find a common interest in integrating financial security as a strategy to lower recidivism; but it was harder to have our partner's case managers incorporate financial goals into their community reentry plans.

Dwight had just been released from prison for a drug dealing offense after five years. When pressed about his financial future, he ambiguously outlined a wish to parlay his entrepreneurial instincts into self-employment, maybe own a barber shop someday? Unfortunately, with no credit history, and untold child support debt—his partner had a baby girl, Cynthia, while he was at an upstate New York correctional facility—that goal felt like more than a stretch. The key was for his reentry counselor to help Dwight monetize a shorter-term, but yet equally strengths-based, passionately-held and forward-thinking goal, and that had everything to do with his daughter.

Whether it was her dimples or her braids from the pictures he shared in his financial coaching sessions, Dwight was understandably enamored with Cynthia, who had just started pre-kindergarten. He wanted to be a part of her life, not only making up for his absence, and there was no better manifestation of his dedication to turn his life around than being a parent, a father, a dad.

Cynthia was turning 5 in a few weeks, and I'm not sure about St. Louis—perhaps its New York City's new universal pre-k—but five-year-old in-school birthday parties can be a big deal. Dwight was adamant about giving Cynthia a perfect birthday party that every five-year old child deserves.

With the help of his coach, they created a budget: $36 for two pizzas; $10 for juice boxes; $75 in grab bags; $15 balloon bouquet = $136 which, working backwards from Cynthia's pre-k birthday party, was an action plan that perfectly exemplifies the promise of this powerful work: the seemingly insurmountable challenges of financial insecurity,

the tangible impact of financial coaching, and the promise of embedding those strategies into all human services.

In accomplishing that goal, Dwight not only deepened the asset that was his burgeoning relationship with his daughter—but he also defined himself as a saver, and not by his sav-ings—thereby facilitating his trajectory to becoming a small business owner.

This is the absolute essence of asset-building.

Ultimately, our ability to tap into strengths and expertise like Dwight's will be the key driver of lasting, sustainable change in building financial security for the families and communities we have dedicated our professional lives to serving.

I hope, too, that you'll ultimately agree we have in our capacity an extraordinary opportunity to redefine what "asset building" means. Let us join in looking confidently towards the future, and boldly write the most inclusive chapter of the American Dream together. Together, we will build the type of future that Cynthia, alongside my three daughters, deserve so completely.

"We have in our capacity an extraordinary opportunity to redefine what 'asset building' means."

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