



CONSUMER INSIGHTS
COLLABORATIVE

SHORT-TERM FINANCIAL STABILITY: A FOUNDATION FOR SECURITY AND WELL-BEING

April 2019



ACKNOWLEDGEMENTS

The Aspen Institute Financial Security Program would like to thank Julie Siwicki for authoring this report; as well as Katie Bryan, Sheida Elmi, Genevieve Melford, Meghan Poljak, Ida Rademacher, Joanna Smith-Ramani, and Emy Urban for research, writing assistance, and comments. Aspen FSP also thanks members of the Consumer Insights Collaborative, the team of insightful, dedicated people at nine nonprofits that developed and executed the vision for this first-of-its-kind report. It would not exist without the work of Keyarash Jahanian and Nashila Somani-Ladha at Commonwealth; David Derryk, Julia Harrigan, and Tim Lucas at EARN; Jorge Blandón and David Henderson at the Family Independence Initiative; Michael Dedmon and Sindhi Polubothu at The Financial Clinic; Terry Ratigan and Ann Solomon at Inclusiv; Danny Friel and Sophie Sahaf at LIFT; Flor Calvo and Ramya Gopal at Mission Asset Fund; Elizabeth de Renzy, Margaret Libby, and Andrea Yee at MyPath; and Matt Conan and Sarah Sable at Neighborhood Trust Financial Partners. Finally, Aspen FSP is grateful for generous support from MetLife Foundation and the W.K. Kellogg Foundation. The findings, interpretations, and conclusions expressed in this report—as well as any errors—are Aspen FSP’s alone and do not necessarily represent the view of its funders or Collaborative members.



ABOUT ASPEN FSP

The Aspen Institute Financial Security Program’s (Aspen FSP) mission is to illuminate and solve the most critical financial challenges facing American households and to make financial security for all a top national priority. We aim for nothing less than a more inclusive economy with reduced wealth inequality and shared prosperity. We believe that transformational change requires innovation, trust, leadership, and entrepreneurial thinking. Aspen FSP galvanizes a diverse set of leaders across the public, private, and nonprofit sectors to solve the most critical financial challenges. We do this through deep, deliberate private and public dialogues and by elevating evidence-based research and solutions that will strengthen the financial health and security of financially vulnerable Americans. **To learn more, visit AspenFSP.org or follow [@AspenFSP](https://twitter.com/AspenFSP) on Twitter.**

TABLE OF CONTENTS

WHO IS THE CONSUMER INSIGHTS COLLABORATIVE?	2
EXECUTIVE SUMMARY	3
1. INTRODUCTION	5
2. WHY SHORT-TERM STABILITY MATTERS.....	7
3. DRIVERS OF INSTABILITY	9
Lack of routinely positive cash flow	9
Difficulty building up liquid savings	10
Low access to high-quality credit	11
4. CONSUMER STRATEGIES TO ACHIEVE SHORT-TERM STABILITY	13
Generating more income	13
Creative savings strategies.....	13
Social capital and networks	14
5. EXTERNAL SUPPORTS THAT BOOST SHORT-TERM STABILITY	16
Cash infusions to boost stability and earning capacity	16
Savings products and services.....	17
Access to high-quality credit.....	18
6. CONCLUSION	20

WHO IS THE CONSUMER INSIGHTS COLLABORATIVE?

The Aspen Institute Financial Security Program convenes the Consumer Insights Collaborative, an effort across nine leading nonprofits to collectively understand and amplify data for the public good, specifically about the financial lives of low- and moderate-income households. The Collaborative's vision is that data-driven insights will prompt a wide variety of actors to develop programs, products, and policies that help more people achieve financial security—and that the insights inspire more organizations to put their data to use for good.



Strengthens the financial security and opportunity of financially vulnerable people by discovering ideas, piloting solutions, and scaling innovations.
www.buildcommonwealth.org
Boston, MA



Leverages financial technology and economic inclusion to empower low-income Americans to save and take charge of their financial lives.
www.earn.org
San Francisco, CA



Provides a technology platform for low-income families to strengthen social networks, record progress towards goals, and unlock dollars to accelerate their mobility.
www.fii.org
Oakland, CA



The Financial Clinic's mission is to build working poor people's financial security through an ecosystem of strategies that includes direct service, capacity building, and systems-level solutions fueled by financial technology.
www.thefinancialclinic.org
New York, NY



Promotes financial inclusion by providing capital, building capacity, and developing innovative products and services for community development credit unions (CDCUs).
www.inclusiv.org
New York, NY



Builds relationships with parents to set and accomplish family career and financial goals, connecting them to the resources and networks that make those dreams a reality.
www.whywelift.org
Washington, DC



Creates a fair financial marketplace for hardworking people by building on what they have through financial products, coaching, and technology.
www.missionassetfund.org
San Francisco, CA



Equips young people of color growing up in financial deserts with the knowledge and financial tools they need to build wealth and get on the path to economic mobility.
www.mypathus.org
San Francisco, CA



Helps everyday people take control of their finances through expert counseling linked to safe and goal-oriented financial products and delivered in convenient settings.
www.neighborhoodtrust.org
New York, NY

EXECUTIVE SUMMARY

Many programs and policies supporting financial well-being for consumers rightly prioritize long-term security. However, short-term financial stability provides the foundation from which financial security, and eventually economic mobility for the next generation, is built. This report shines a light on the central role that short-term financial stability plays in a person's ability to reach broader financial security and upward economic mobility, a measurement of whether an individual moves up the economic ladder over one's lifetime or across generations.

Short-term financial stability means having enough of a financial cushion, broadly defined, to cope with everyday financial shocks, while still progressing towards financial goals. In this report we focus on four types of

that consumers use to boost short-term stability on their own, as well as the external supports that CIC members, through their front-line work, know can increase the success of consumers' own efforts.

Table 1 summarizes these barriers, consumer strategies, and external supports. These strategies are not exhaustive but rather highlight the main methods that CIC members' data insights indicate can boost household financial stability. Descriptions and examples of these strategies follow in the full report.

Across the United States today, financial security and upward economic mobility are out-of-reach for far too many low- and moderate-income households. As we document in this paper, individuals deeply value and know the importance of saving and go to lengths to try to build financial cushions. Having more routinely positive cash flow is a foundational need, along with savings tools and supports to boost savings cushions and general financial stability. The reality, however, is that despite individuals' best efforts to become more financially stable, for many it is a near impossible challenge to get there. In order to move the needle on Americans' financial security, program and product designers and policymakers must acknowledge the barriers that households face in trying to build financial cushions, and the added difficulties that these barriers pose for people of color and those with few resources, in particular.

Individuals draw on many creative strategies to improve their financial stability, but external help and support can accelerate and augment these efforts. Evidence presented in this report implies that nonprofit, for-profit, and public organizations – especially those wanting to bring long-term financial security to people at scale – can achieve success by removing barriers to short-term stability for the individuals and families with whom they engage. A diverse set of actors including, for example, employers, governments, banks and credit unions, benefits administrators, workforce development services, or even early childhood centers, interact with consumers, and each has a role to play in this effort. We invite readers of this report to use it in two ways: apply our insights about stability and security in your own work, and expand on our insights with the consumer data uniquely available to you.

Short-term cushions are key to longer-term financial security and well-being.

financial cushions: routinely positive cash flow (income that exceeds expenses), liquid savings (such as cash and money held in checking and savings accounts), access to high-quality credit, and strong social networks.

While it's intuitively clear that the availability of such resources can prevent immediate material hardship, it may be less broadly understood that short-term cushions are also key to longer-term financial security and well-being. Stability promotes security because financial buffers protect consumers from shocks that would detract from progress toward their long-term goals, act as material foundations for growing assets, and reinforce the financial actions that move people towards broader well-being.

The insights presented in this report draw primarily on evidence provided by members of the Consumer Insights Collaborative (CIC), a group of nine leading nonprofits across the United States convened by the Aspen Institute Financial Security Program. These diverse organizations offer a window into the financial lives of the low- and moderate-income individuals they serve. Together, their data highlight barriers to financial stability, the strategies

TABLE 1: BARRIERS TO AND STRATEGIES TO SUPPORT SHORT-TERM FINANCIAL STABILITY

FINANCIAL CUSHIONS	BARRIERS TO SHORT-TERM FINANCIAL STABILITY	CONSUMER STRATEGIES TO BOOST STABILITY	EXTERNAL SUPPORTS TO BOOST STABILITY
Routinely positive cash flow	<ul style="list-style-type: none"> • Income that is regularly too low or expenses that are regularly too high. • Temporary financial shocks can also prevent positive cash flow. 	<ul style="list-style-type: none"> • A better-paying primary job can boost financial stability. • Regular entrepreneurial activities improve positive cash flows on average. • Ad-hoc income generation manages instability in the moment. 	<ul style="list-style-type: none"> • Government benefits have traditionally aimed to boost income or subsidize expenses. • Nonprofits can also infuse cash to create stability. • Investments in earning capacity can create lasting financial stability.
Liquid savings	<ul style="list-style-type: none"> • Building and replenishing savings is hard without routinely positive cash flow. • Consumers struggle to save when they do not have a bank account. • Asset limits for public benefits disincentivize savings. 	<ul style="list-style-type: none"> • People put up barriers to block access to their savings. • Compartmentalized funds keep savings goals top of mind. • Self-imposed rules can facilitate savings. 	<ul style="list-style-type: none"> • Commitment devices can make it easier for consumers to stick to their goals. • Savings incentives can motivate people to save more. • Opportunities to seize new income help consumers save when they can. • Financial coaching can encourage savings habits.
Access to high-quality credit	<ul style="list-style-type: none"> • Without a decent credit score, high-quality credit is unavailable. • Without access to high-quality credit, consumers turn to low-quality, often expensive options. 		<ul style="list-style-type: none"> • Some tools directly provide high-quality loans. • Other tools indirectly open access by improving credit scores. • Financial coaching can improve credit scores.
Social capital		<ul style="list-style-type: none"> • People exchange cash to boost stability. • In-kind resources make up a big part of informal exchanges. 	

1. INTRODUCTION

Financial security opens doors and protects against the unexpected. It allows people to freely pursue the lives they want today and in the future. Yet Americans are finding it increasingly hard to be financially secure or economically mobile.¹ This report shines a light on the central role that short-term financial stability plays in a person's ability to reach broader financial security and well-being,¹ and eventually, become upwardly mobile.

Our evidence draws largely on anonymized data from members of the Consumer Insights Collaborative (CIC). The CIC is a group of nine leading nonprofits across the United States with significant data assets on the financial lives of their customers, each working in different ways to build up the financial security of low-income and underserved communities. Information on each member is available on page 2.

About the Consumer Insights Collaborative

Collectively, CIC members have provided financial empowerment services and solutions to over 325,000 consumers across the United States.²

Some, like EARN and The Financial Clinic, aim to reach a broad swath of the population. Others focus interventions on specific demographics, like LIFT which works mainly with parents of young children, Mission Asset Fund (MAF), which has some programs targeted to immigrant clients, and MyPath which focuses on financial capability for working youth and young adults. These organizations also differ in mission, with goals related to a mix of providing financial products, coaching, and designing interventions. Outreach to low- and moderate-income families unites the CIC, which means that all CIC members also usually work with a disproportionately large group of people of color.

CIC members are also unified by a drive to refine an understanding of how to best serve their constituents. The CIC has come together to develop and share insights about the financial aspirations, preferences, challenges, and actions of the consumers they reach.

Each organization has an arsenal of insights from their daily work, which brings them face-to-face with low- and moderate-income families.

About this Report

Combining evidence from CIC members, this report draws attention to short-term financial stability through an often-missing consumer perspective. Our research process began with a set of workshops to articulate a common understanding of short-term financial stability. We then explored the consumer experience around it by collecting existing insights and developing new ones with CIC members. Results here are grounded in both qualitative and quantitative data, a range of analysis strategies, and diverse samples and demographics.³ They land on strikingly similar conclusions about the centrality of short-term financial stability for consumers' ability to build long-term financial security and upward economic mobility for this generation and those to come.

This report is a culmination of the above efforts, drawing the connection from the barriers to financial stability that low- and moderate-income individuals and

¹ The Consumer Financial Protection Bureau defines financial well-being as “a state of being wherein a person can fully meet current and ongoing financial obligations, can feel secure in their financial future, and is able to make choices that allow enjoyment of life.” For more information on this definition, see the Consumer Financial Protection Bureau. “Financial Well-Being: The Goal of Financial Education.” January 2015. https://files.consumerfinance.gov/f/201501_cfpb_report_financial-well-being.pdf.

² In addition, Inklusiv's network of community development credit unions (CDCUs) serves eight million residents of low-income urban, rural and reservation-based communities. For more, see <https://www.inklusiv.org/about-us/>.

³ Evidence presented here rests on a wide range of analyses conducted by CIC members or their research partners. They span from internal calculations to external evaluations; from fielding qualitative surveys to scrutiny of large transactional data sets; and from running cross-tabs and regressions to participation in randomized control trials.

families face to the various approaches that consumers and supporting organizations employ to combat these obstacles to short-term stability, and ultimately, financial security and economic mobility.

In Section 2, this report presents evidence on the links between stability and financial outcomes in the long-run. Section 3 describes drivers of instability, Section

4 the strategies that consumers use to boost short-term stability on their own, and Section 5 the tools that CIC members, through their front-line work, know can increase the success of consumers' own efforts. Section 6 concludes with four recommendations for public, private, and nonprofit actors seeking to apply our insights and methods in their own work, to improve financial stability and security at scale.



2. WHY SHORT-TERM STABILITY MATTERS

Long-term financial security is a common goal for American consumers and the public and private stakeholders that serve them. Accordingly, many financial products and policies focus on helping people become secure.

Still, national evidence suggests that people have trouble reaching goals like homeownership and a comfortable retirement, two typical examples of financial security. Growing income and expense volatility, the high cost of housing, health care and other basic needs, and rising student loan and other consumer debt also keep consumers from investing in their security.ⁱⁱ

A common characteristic links the groups that face barriers to long-term security: They have insufficient financial buffers to weather short-term shocks. The

Federal Reserve Board data indicates that people of any income level are significantly less likely to tap retirement accounts when they have a savings buffer of at least \$400.^v

Here, we propose that short-term financial stability is central to achieving long-term financial security. This report defines the concept of short-term financial stability as having the resources to cope with everyday financial shocks, while still progressing towards financial goals.⁴ Stable families have sufficient financial cushions, broadly defined, to keep typical finances under control. Cushions may take the form of liquid savings - as in the data points above - but may also include income that routinely exceeds expenses (routinely positive cash flow), access to high-quality credit, or family and friends that can be relied upon for informal support (strong social networks). While it's intuitively clear that

FIGURE 1. THE PATH FROM FINANCIAL INSTABILITY TO SECURITY



Consumer Financial Protection Bureau (CFPB) finds that financial well-being, a measure that reflects financial security, is most strongly associated not with income or education, as some might expect, but with “savings and financial cushions.”ⁱⁱⁱ Furthermore, an Urban Institute analysis demonstrates that even small cushions can make a big difference in maintaining financial stability: Families with a small amount (defined as \$250-\$749) in nonretirement savings are less likely to miss a housing or utility payment, be evicted, or receive public benefits when financial shocks occur.^{iv} And our own analysis of

the availability of such resources can prevent immediate material hardship, it may be less broadly understood that short-term cushions are also key to longer-term financial security.⁵

The diagram in Figure 1 describes the relationship we see. When people become financially stable in the short-term, they are on a path to reaching financial security in the long run. As will be described in more detail throughout this report, financial instability results from a number of systemic factors such as lack of access to

⁴ We see everyday financial shocks as distinct from more extreme events. An everyday shock might include an unexpectedly high bill, a job loss, or a family emergency. More extreme events might include permanent disability or economy-wide downturns.

⁵ For an example of how financial cushions reduce material hardship, see Despard, Matthiu R., Shenyang Guo, Michal Grinstein-Weiss, Blair Russell, Jane E. Oliphant, and Anna deRuyter. “The Mediating Role of Assets in Explaining Hardship Risk among Households Experiencing Financial Shocks.” *Social Work Research*, Volume 42, Issue 3, 1 September 2018, Pages 147–158, <https://doi.org/10.1093/swr/svy012>.

jobs with a living wage, affordable opportunities to save, or high-quality credit. The movement from instability to stability and ultimately security depends on the removal of these barriers, the availability of useful opportunities and supports, and consumers' own ingenuity and action. Building and maintaining financial cushions can thus be a difficult challenge for many individuals and families.

Short-term financial stability makes financial security more likely

Financial cushions allow people to keep working toward their long-term goals, are material foundations that boost people towards longer-term goals such as building assets, and reinforce financial behavior that leads to positive outcomes in both the short and long term.

1. **Financial cushions protect people from shocks that would detract from progress toward their long-term goals.** While stable households may be exposed to the same risk of shocks as others, their buffers allow them to withstand financial shocks without turning all resources towards the present and away from the future. A financial buffer can prevent people from withdrawing retirement savings to deal with immediate hardship and can help college students avoid dropping out of school. For example, LIFT has given ad-hoc cash grants to stabilize its members. Thanks to five \$50 childcare fees paid by the nonprofit, their client, a working mother and full-time student, was able to study for finals in peace, which was key to her maintaining a B average and ultimately earning a bachelor's degree, an investment which unlocks career opportunities with family-sustaining wages.
2. **Financial cushions serve as a foundation for reaching long-term goals.** The stability that comes with financial buffers provides a material basis to invest in broader financial security. Tools like Individual Development Accounts (IDAs), a matched savings product, put this principle into practice by encouraging consumers to save a small amount that gets directly channeled into asset purchases.⁶ Another example comes from a MyPath client who turned a new savings habit into \$35,000 for a down payment on a home. She took out a \$500 loan to build her credit, repaying it using an auto-debit feature that drew \$43 from her paycheck every month. In 12 months, she'd improved her credit score and unlocked access to the \$500. She added more and more to this account as she earned

consecutive raises, transforming an emergency cushion into a substantial asset that, along with her improved credit, will provide her with a home and the broader financial security that comes with it.^{vi}

3. **The same financial behavior leads to both short- and long-term outcomes in a virtuous cycle.** Consumers' habits are more likely to move them towards long-term well-being when they have a stabilizing cushion. Furthermore, the process of building a small buffer acts as a behavioral engine, reinforcing actions that can also create long-term financial security. For example, one The Financial Clinic client worked hard to save \$136 for his young child's birthday party. The creation of a personalized and specific, self-identified goal encouraged him to meet and then save beyond his short-term savings goal. Furthermore, achieving this small feat empowered him to define himself as a "saver," building his confidence that those same habits can help him accumulate longer-term cushions.^{vii} On the other hand, some consumers find it more motivating to focus first on larger life goals. The process of working towards such goals can also result in smaller buffers that help stabilize in the short-term. Whether consumers prioritize short-term or broader life goals, achieving one makes the other more likely.

For these three reasons, people with short-term stability are more likely to become financially secure in the long run. From this premise, we now turn to explore the dimensions of stability: How do consumers experience instability? What strategies do they use to build cushions and get stable? And how can external interventions make a difference? By unveiling the consumer experience from the CIC's nonprofit perspective, we aim to inspire a range of actors to sharpen their focus on the pathway to financial security that flows directly from short-term financial stability.

⁶ For more on IDAs, see the Center for Social Development, Brown School, Washington University in St. Louis, <https://csd.wustl.edu/ida/>

3. DRIVERS OF INSTABILITY

CIC members observe that consumers experience financial instability because of a lack of financial cushions — especially positive cash flows, liquid savings, and access to high-quality credit. Each of these three cushions' availability is related to systemic forces that disadvantage people with few resources and people of color. They also reinforce each other: Just as the availability of one financial cushion can improve the likelihood of having others, the reverse is also true: when one cushion is missing, others get further out of reach. For these reasons, despite individuals' best efforts to become more financially stable, for many it is a near impossible challenge to get there.

Lack of Routinely Positive Cash Flow

If household income consistently covers expenses with room to spare — a state of positive cash flow — then the extra income can act as a cushion to manage everyday shocks and maintain stability. It also opens the door to savings and affordable credit. On the other hand, consumers lose stability when income doesn't cover consumption, or barely does. Many low- and moderate-income families find themselves in this situation. On the income side, living wages are hard to come by because

lack positive cash flow (a state in which income exceeds expenses) either consistently or during temporary, or episodic, shocks.

- **Consistent non-positive cash flow exists when consumers' income is regularly too low or expenses are regularly too high.** These circumstances characterize the case of a The Financial Clinic client who came to his first coaching session paying more than 80 percent of income towards rent. He earned too much to qualify for most benefits that might help, and he had no credit score, which affordable housing applications required. As a result, the consistently high rent bill kept him underwater and unable to build the cushions he desperately needed.^x Similarly, EARN found that 74 percent of SaverLife members reported that their yearly spending is greater than or equal to their yearly income. This mismatch between expenses and income makes it harder to consistently make ends meet, with only 24 percent of members reporting that they were able to pay all their household bills on time in the last year.^{xi}

- **Temporary shocks prevent positive cash flow.** National research studies find that income dips and expense spikes happen frequently for low- and moderate-income consumers, even when they earn more than they spend on average.^{xii} These ups and downs can create mismatches that make it difficult to plan and save. Echoing these results, the average income for EARN's clients either spikes or dips in three out of every four months.

During dips, income typically drops \$1,200 below average – a substantial hit for this group with a median annual income of \$20,000.⁷ A different analysis, commissioned by Commonwealth using a nationally representative survey, points to the common experience of expense spikes: Sixty-two percent of low-income people surveyed had experienced at least one “financial emergency” in the previous year, the most expensive costing over

Despite individuals' best efforts to become more financially stable, for many it is a near impossible challenge to get there on their own.

of low minimum wages and jobs that pay low or unstable wages, including contract and contingent work.^{viii} On the expense side, cost of living is rising across the country. Together, low income with rising expenses create instability. A 2018 report found that no state, county, or city provides a sufficient minimum wage to cover rent on a two-bedroom apartment through 40-hour work weeks.^{ix} Additionally, an important distinction is that people can

⁷ EARN defines a spike or dip as monthly income 25 percent above or below the previous two months' average income. See EARN. “Income Swings: A Monthly Rollercoaster.” April 2018. <https://www.earn.org/wp-content/uploads/2018/05/Big-Data-on-Small-Savings-Income-Swings.pdf>

\$500 for the majority of families and over \$1,000 for 41 percent of respondents.^{xiii} Meanwhile, Neighborhood Trust sees that among its clients, even a single unexpected overdraft fee can put cash flows in the red.⁸ Excessive banking fees, as well as government fines and bail, are usually levied on people with low- and moderate-incomes. Moreover, these individuals tend to have little to no slack between income and expenses, meaning that these additional fines and fees make positive cash flow even less likely.⁹

Difficulty Building Up Liquid Savings

Saving becomes possible when income regularly exceeds expenses. Cash savings is an important financial buffer to help people stay stable, yet consumers have trouble building them up. For instance, four of every five coaching clients at The Financial Clinic report less than \$500 in liquid savings when they first meet their coach – and over half report having no assets at all.^{xiv} Similarly, at sign up, 50 percent of EARN’s savers report that their short-term savings could only cover two weeks or less of their normal expenditures. An income shock or expense shock can, and does, push consumers like this into the red when they have to dip into their minimal short-term savings to meet an immediate need.^{xv}

It is easy and incorrect to write off low savings as a problem of consumer behavior. However, many structural obstacles stand in the way of saving. Historically, racially biased asset-building policies have helped white families build assets through homeownership, preventing many people of color from passing down accumulated wealth to future generations.^{xvi} Other systemic savings barriers include non-positive cash flows as described above, restricted access to bank accounts and financial products that are designed to protect assets, and asset limits on public benefit programs.

- **Building and replenishing savings is hard without routinely positive cash flow.** Positive cash flow is the most fundamental piece of short-term financial stability because when income exceeds needs, consumers have money left over to build savings cushions or investing in wealth-building activities.

Without a regular income buffer, savings cannot grow. Even when income is enough on average, frequent income or expense shocks can force people to draw down on existing funds. One CIC member, LIFT, heard from its clients that saving money was a slow and often infeasible effort without making more money. As a result, the nonprofit evolved its model to focus on combined career and financial coaching with the expectation that career moves would boost savings through higher income and that building strong financial behaviors would set up families to manage any increased income effectively. Among families who do manage to keep money saved without positive cash flow, many use costly coping tools like high-interest credit cards, as observed by Neighborhood Trust.^{xvii}

- **Consumers struggle to save when they do not have a bank account.** Formal accounts can help people build financial cushions by blocking immediate access to cash, and by distinguishing savings from spending money. They also lower the risk of losing cash by theft or accident.^{xviii} It seems logical that

Positive cash flow is the most fundamental piece of short-term financial stability.

everyone should use this kind of tool, but systemic barriers keep certain groups from doing so. For one, many accounts impose monthly or yearly fees and minimum balance requirements that push “financially-stretched” people away, keeping them from finding value in formal banking.^{xix} Another example is ChexSystems, a database of supposedly risky consumers that some banks use to deny account access.^{xx} Furthermore, individuals without formal banking accounts often face fees associated with accessing their income, such as through check cashing or paying prepaid card fees, which eat away at resources that otherwise could be saved.

In addition, MyPath sees that young people are kept from formal banking when banks do not accept alternative identity and address verification

⁸ Based on internal data from Neighborhood Trust. According to The Pew Charitable Trusts, the typical overdraft fee is \$35. For more on overdraft fees, see King, Thaddeus. “Overdrafts Have Grown; Now They Need to Grow Up.” The Pew Charitable Trusts. August 23, 2018. <https://www.pewtrusts.org/en/about/news-room/opinion/2018/08/23/overdrafts-have-grown-now-they-need-to-grow-up>.

⁹ People making less than \$30,000 a year are nearly twice as likely to pay overdraft fees. For more, see The Pew Charitable Trusts. “Overdraft America: Confusion and Concerns about Bank Practices.” May 2012. https://www.pewtrusts.org/~media/legacy/uploadedfiles/pes_assets/2012/sciboverdraft20america1pdf.pdf.

¹⁰ In an anecdote from Inclusiv’s study of very-low-income consumers, one interviewee had hidden savings in a mattress that his wife unwittingly threw away. Inclusiv. “From Distrust to Inclusion: Insights into the Financial Lives of Very Low-Income Consumers.” January 2015. <https://www.inclusiv.org/wp-content/uploads/2015/01/Insights-Into-the-Financial-Lives-of-Very-Low-Income-Consumers-Jan-30-2015.pdf>

documents — many young people don't have state IDs or utility bills — or when they require an adult co-signer to open accounts for anyone under 18 years old. Because of these rules, teenagers who could particularly benefit from savings accounts cannot use them. They include young people in the foster care system, and those whose parents are unbanked, undocumented, or in ChexSystems.^{xx}

Even when young people have banking accounts, out-of-network ATM fees can eat into savings when there is a shortage of in-network ATMs in the neighborhoods where they live. MyPath found that 63 percent of fees paid by youth participants in San Francisco were for out-of-network ATM fees. Further analysis showed that the young people paying the most out-of-network ATM fees were concentrated in low-income neighborhoods of San Francisco lacking in-network ATMs. These neighborhoods correlate with those historically excluded from financial services, including through the practice of redlining.^{xxi}

- **Some public benefits disincentivize savings.** In 2016, at least 42 states used the amount families had saved up to determine their eligibility for certain public benefits including Temporary Assistance for Needy Families, SNAP (formerly food stamps), and energy assistance.^{xxii} As a result of these policies, individuals who rely on these benefits to help make ends meet may opt not to save even when they can, or to save in less effective ways like savings in cash at home which is easier to spend or lose, and is more susceptible to theft, fire, or natural disasters. Such deterrents for saving in formal mechanisms—such as checking and savings accounts—may further undermine the financial well-being of these families by discouraging savings in interest-bearing accounts, which can increase holdings for individuals, or in investment vehicles. Additionally, in some cases, households are forced to spend down holdings prior to receiving public assistance, eliminating savings that could be used to weather financial shocks.

Low Access to High-Quality Credit

Without routinely positive cash flow or savings, many families borrow to cope with everyday shocks. In this sense, access to high-quality credit is a cushion that can promote short-term financial stability, at least for

consumers facing temporary setbacks.¹¹ Low- and moderate-income individuals using credit to bridge volatility often find themselves in a difficult position when credit terms set them up for failure.^{xxiii}

- **Without a decent credit score, high-quality credit is unavailable.** Low- and moderate-income consumers tend to have low credit scores. Indeed, data from EARN demonstrates this: When asked to rate their credit scores, the vast majority (76 percent) of EARN savers rate their credit score as “fair” or “poor,” while only 6 percent believe their credit score is “excellent” or “very good.” Another complication for these households is that low- and moderate-income individuals are far more likely to enter the credit reporting system not through formal loans but by having debts in collection, which starts them off with limited access to high-quality credit when they need it. Another set of problems face those that have taken out loans, especially financially vulnerable people who may be prone to over-borrowing. Neighborhood Trust's clients who borrow most often end up being denied for additional loans because their overuse brings their credit scores down. In addition, certain groups face major hurdles to finding high-quality credit because they are credit invisibles — i.e., they

Without routinely positive cash flow or savings, many families borrow to cope with everyday shocks.

have no credit history.¹² Inclusiv and Neighborhood Trust both see this pattern in immigrant communities coming from countries with a cash-based economy, while MyPath sees the same among the young people it serves.^{xxiv}

- **Without access to high-quality credit, consumers turn to low-quality options.** Being turned down for standard loans usually doesn't keep unstable consumers from borrowing when needs arise. Rather, they use expensive alternatives that put them deeper in debt. This is especially problematic for people who are already highly indebted. The Financial Clinic's data show that as one's debt-to-income ratio increases the probability that they will reduce debt by any amount decreases.^{xxv} For EARN's savers, a similar trend exists, in reverse: Over two-thirds (68

¹¹ For more on the definition of high-quality credit, see Center for Financial Services Innovation. “Compass Principles: The Compass Guide to Small-Dollar Credit.” April 2014. <https://cfsinnovation.s3.amazonaws.com/CompassGuideToSDC.pdf>.

¹² For more information on being credit invisible, see The Federal Deposit Insurance Corporation. “FDIC National Survey of Unbanked and Underbanked Households.” October 2018. https://www.fdic.gov/householdsurvey/2017/2017report.pdf?mod=article_inline.



percent) of successful savers report their debt load as manageable or nonexistent, compared to just 38 percent of those who have struggled to save.¹³ In the end, high debt burdens get in the way of short-term financial stability because their high costs strain savings cushions and turn cash flows negative. The Consumer Insights Collaborative has insights on two particular types of expensive debt:

- o **Payday loans.** High-interest, short-term loans may seem like the only option for some consumers trying to make ends meet or to meet a sudden expense. Inclusiv's data shows how certain lenders aggressively target particular communities: In one community, a single payday lender received an average of \$50,000 in payments each month from just 75 consumers. CIC members see that consumers have a mixed view of these loans. For instance, Neighborhood Trust clients will often make remarks about payday lenders such as, "even though they're a loan shark, they really helped me out of a jam..."^{xxvi} Despite some gratitude, consumers certainly understand the risks of payday borrowing. Borrowers in one Inclusiv survey say they knew "they [were] getting a bad

deal, trapped in a cycle" that gave at least one of them "a 'second [class] citizen feeling.'"^{xxvii}

- o **Non-loan debt.** Some people take on expensive debt not through loans, but by accumulating unpaid bills, fines, or fees.¹⁴ Among EARN's clients, putting off bill payments is a common strategy to cope with income or expense shocks.^{xxviii} Another example is bank overdraft charges, which can end up looking like interest fees on predatory loans. In one instance, a Financial Clinic customer had his driver's license suspended due to unpaid child support, making it nearly impossible to get to work and putting his job in jeopardy.^{xxix} Government fines, too, including bail, come with large financial and human costs especially for people of color and those with low incomes.^{xxx} The late fees and interest tied to non-loan debt add up, ultimately making cash flows less positive and straining savings cushions.

¹³ Successful savers are defined as saving at least 4 out of 6 months, whereas struggling savers saved zero to three months. For more, see EARN. "There is More to Savings than Savings." October 2018. https://www.earn.org/wp-content/uploads/2018/11/EARN_BigDataonSmallSavingsProject_ReportTemplate_October2018_R2c.pdf.

¹⁴ Non-loan debt is on the rise in the U.S. For more, see Aspen Institute. "Consumer Debt: A Primer." March 2018. <http://www.aspenepic.org/wp-content/uploads/2018/03/Consumer-Debt-Primer.pdf>

4. CONSUMER STRATEGIES TO ACHIEVE SHORT-TERM STABILITY

Facing the array of barriers described in the previous section, families put forth significant effort to build foundations of financial stability. The CIC sees consumers successfully create financial cushions on their own through income generation, self-imposed savings rules, and leveraging social networks.

Generating More Income

Individuals deeply value saving and go to lengths to try to build savings cushions, but realistically, more routinely positive income is a foundational need, along with savings tools and supports, to boost savings cushions and general financial stability. Specifically, consumers counter instability at its root when they generate more income to create positive cash flows. Some work to find better-paying primary jobs, while others engage in regular entrepreneurial activities or seek out ad hoc supplemental income by having a yard sale or helping neighbors with odd jobs. Tech platforms make it easier for many people to supplement income by, say, driving for a ride-share company — though these new opportunities can also put workers at risk by pushing down compensation, reducing access to employer-sponsored benefits, and increasing income volatility.^{xxx}

- **A better-paying primary job can boost financial stability.** A key barrier many LIFT parents face in reaching financial goals is that they lack family-sustaining jobs. Parents often cite credentials or post-secondary education as obstacles between them and jobs that pay higher than the minimum wage. As a result, LIFT parents tend to set goals to both build a financial cushion and advance their careers, often by upskilling with community college or other certification-yielding programs. As parents invest in themselves by securing credentials, they remove a key barrier to higher paying, higher stability employment. With more regular and higher income, parents are then able to pay down burdensome debt, build rainy day funds for the inevitable ups and downs in life, and boost their financial stability.

- **Regular entrepreneurial activities improve positive cash flows on average.** Family Independence Initiative (FII) tracks its families' income sources over time, giving a unique lens into entrepreneurial behavior. It sees that at least a quarter of the program's families with businesses have traditional employment income as well. For some in this group, businesses bring in extra income consistently from month to month. They appear to be a strategy to keep income positive on average by supplementing employment. The business owners among FII's families indeed tend to be better off than others.^{xxxii} MAF also sees that about a third of clients engage in entrepreneurial activities including self-employment, participation in the gig economy, and odd jobs. These ventures are often small, local, and informal in scale and help families improve their cashflow while pursuing their passions.^{xxxiii}
- **Ad-hoc income generation manages instability in the moment.** Another group of FII families with business income tend to use it less regularly. But when these businesses bring in income, it makes up over half of monthly household earnings. The pattern suggests that this group generates additional income to stay financially stable in the months when their other income sources drop substantially. It reflects a national study showing that people use income from technology labor platforms to "offset" dips in other income.^{xxxiv} And it lines up with another FII finding that most of its business-owner families place a high value on flexible hours.^{xxxv}

Creative Savings Strategies

In some cases consumers use self-imposed rules or restrictions to help build up savings cushions.

- **People put up barriers to block access to their savings.** Savings are more likely to accumulate when people have trouble accessing them. Consumers understand this, like Neighborhood Trust clients who delete their banking apps or un-link their savings and checking

accounts.^{xxxvi} Some put savings at a different or far-away bank or hold money in a relative's account to create an extra barrier to accessing it.¹⁵

- **Compartmentalized funds keep savings goals top of mind.** EARN's clients are more successful savers when they put money in a savings account instead of keeping it in a single checking account. Savings accounts create a separate compartment of money for clients to monitor, one that encourages more deposits by clearly indicating their savings progress.^{xxxvii} People without formal accounts do the same with cash. One consumer interviewed by Inclusiv described how she kept at least \$500 in two separate places at home, one for emergencies and one called a "Happy fund."^{xxxviii}
- **Self-imposed rules can facilitate savings.** Some consumers reward themselves for saving or punish themselves for spending too much. For example, Inclusiv interviewed someone who forced herself to replace any cash she removed from a change jar with double the amount taken out. This rule helped her accumulate \$700 in one year.^{xxxix}

Social Capital and Networks

Many people rely on their family and friends to improve financial stability. LIFT members with higher levels of social supports are more likely to report an increase in income and net savings over time – both important financial cushions.¹⁶ Informal networks can sometimes help in direct response to instability: For EARN's clients, the most common reaction to cash flow shocks is to ask family or friends for help.^{xl}

But informal exchanges don't always coincide with shocks. The months when FII families receive this kind of support do not align with months when their incomes dip. Instead, these consumers appear to build and maintain social relationships over the long term.^{xli} And exchanges go both ways in a web of reciprocity. For example, an Inclusiv analysis shows how very-low-income consumers will prioritize helping people in their networks "even at their own expense."^{xlii} Despite these findings, these social

networks can play an important role in helping family and friends to become financially stable.

- **People exchange cash to boost stability.** Friends and family help each other by directly giving money, whether it's considered a loan or a gift. Most respondents to MAF's survey of people who received grants to cover DACA application fees reported then giving funds to their family to help with monthly bills.¹⁷ Commonwealth's nationally representative survey showed that borrowing cash from networks is common in the face of an emergency, especially for people without savings set aside.^{xliii}
- **In-kind resources make up a big part of informal exchanges.** When FII families give or receive help informally, it is not always cash, but rather in the form of goods or services. The nonprofit asks them to put a value on this "social capital," finding that the average family values this non-cash assistance at

Many people rely on their family and friends to improve financial stability.

\$422 per month. And nearly half of MAF's DACA grant survey respondents said they support family members without a driver's license by giving them rides. Sometimes, in-kind exchanges lead to cash buffers: FII families whose social networks helped them find work ultimately increased their monthly incomes by \$633 on average.¹⁸

Through a patchwork of creative efforts, many consumers pull together their own resources to become financially stable in the short term. They generate extra income, use self-prescribed savings rules, and turn to informal social networks. People who use a mix of independent strategies show great ingenuity, and sometimes successfully overcome the lack of formal opportunities for stability.¹⁹ On the other hand, limitations to stability persist. Savings rules work best when consumers' income

¹⁵ For example, the Financial Diaries sample included a woman who saved at a bank branch an hour's drive away from home. See Morduch, Jonathan and Rachel Schneider. "The Financial Diaries How American Families Cope in a World of Uncertainty." 2017. <https://press.princeton.edu/titles/10920.html>.

¹⁶ Based on internal LIFT data. LIFT members who reported high levels of social support when they started working with the nonprofit were 1.8 times more likely to improve their net savings and debt over time.

¹⁷ DACA stands for Deferred Action for Childhood Arrivals, an immigration policy that enables work permits and defers deportation for people brought to the United States illegally as children. In 2017, people with DACA status were given a tight deadline to renew it for a fee of \$495. MAF helped over 5,000 clients by providing direct grants to cover the fee. For more, see Gopal, Ramya and Aparna Ananthasubramaniam. "DACA's multiplier effect." Mission Asset Fund. 6 April 2018. <https://missionassetfund.org/dacas-multiplier-effect/>.

¹⁸ Income increased only \$151 among those that didn't receive such help. Based on internal FII data.

¹⁹ Mission Asset Fund sees a pattern of clients pulling together a range of resources to find stability, from informal insurance to building social capital to using bank accounts and public benefits when they're available. See Quiñonez, José. "Latinos in the Financial Shadows" in *What It's Worth: Strengthening the Financial Future of Families, Communities, and the Nation*. <http://www.strongfinancialfuture.org/essays/latinos-in-the-financial-shadows/>

routinely exceeds their expenses. Social capital can only help so much, especially in communities where most people struggle financially. And while opportunities for flexible income generation have grown with the entry of online platforms, the income they can provide tends to

be highly volatile and can still be out of reach for people lacking time, childcare, or internet access.^{xliv} For these reasons, we now turn to describe three types of external tools that CIC data have shown to help consumers achieve more with their own efforts to become stable.



5. EXTERNAL SUPPORTS THAT BOOST SHORT-TERM STABILITY

When people lack short-term financial stability, it is rarely through lack of effort. Consumers want to be self-reliant, and act accordingly to combat everyday cash flow shocks. Their efforts are significant, and sometimes lead to stability on their own. Yet just as we should understand and value families' own strategies to create short-term stability, we must acknowledge that these may be insufficient to help low- and moderate-income consumers become financially stable at scale.

This reality points to a clear opening to expand the set of tools that make it easier for consumers to create their own financial stability. On-the-ground insights from the CIC indicate how to do this, with a focus on opportunities for positive cash flow, liquid savings, and high-quality credit. Some tools described here may work well on their own. Others have been shown to have a bigger impact in tandem with financial coaching. MyPath sees how coaching may hold a particularly high value for young people who don't have strong financial role models. Many who completed MyPath Credit continue to reach out to their MyPath coach as their financial situations and goals evolve. All CIC members note, however, that the context for these interventions matters, and that there is no one-size-fits-all solution.

Cash Infusions to Boost Stability and Earning Capacity

Raising income and lowering expenses are two straightforward ways to address financial instability, complementing consumers' own income generation strategies. With more of a buffer between income and spending, people can both overcome current instability and be set on a trajectory to financial security.

- **Government benefits have traditionally aimed to serve this function.** Public cash assistance, unemployment insurance, SNAP (formerly food stamps), and the Earned Income Tax Credit all provide extra cushions in the budgets of families who receive

them. Unemployment insurance especially targets instability, filling income dips that result from job loss. Public-sector transfers tend to make a difference, providing a critical foundation to household finances and greater ability to make progress toward stability. The Financial Clinic, for example, finds that coaching clients who receive food, utility, housing assistance, or Medicaid or Medicare subsidies, are more likely to reduce their debt from one session to another.^{xlv}

With more of a buffer between income and spending, people can both overcome current instability and be set on a trajectory to financial security.

- **Nonprofits can also infuse cash to create stability.** Recall LIFT, which helped one of its clients by covering several \$50 child care fees so she could study for exams and ultimately finish college. LIFT provided about \$50,000 to its families in the 2017-18 fiscal year to encourage sustained engagement in LIFT's coaching program, in addition to supporting clients with progress on their career and financial goals. That funding may include the cost of covering childcare, paying off burdensome debt, or paying an electric bill during the winter. Similarly, families that partner with FII also earn small grant dollars by sharing information around the initiatives they are taking to improve the well-being of their family and community. Most applicants use FII investments for education, housing, or financial health, though FII doesn't classify how they use the grants too specifically.

Both FII and LIFT operate on the philosophy that families understand how to most efficiently use extra funds, which FII's and LIFT's data supports. Those who receive FII's grants look more financially stable 12 months out: Their annual income goes up by over \$5,500 on average, while balances increase in

their checking, savings, and retirement accounts.^{xlvii} As a final example, MAF stepped in to help clients manage the destabilizing expense spike of the nearly \$500 DACA application fee. In the words of one person, “It’s really hard to save \$495 while having rent, utilities, veterinarian costs, and other bills to pay. I am also saving for college and my medical

Cash infusions can improve income over time when people use them to invest in small businesses, or to stay in school.

expenses.”^{xlviii} Grants from MAF covered the fee for nearly 8,000 DACA applicants, helping them stay financially stable.

- **Investments in earning capacity can create lasting financial stability.** Cash infusions can improve income over time when, for example, people use them to invest in small businesses, or to stay in school. FII surveyed consumers to learn that most respondents would prefer business income to employment income, possibly because it represents better long-term prospects than low-paying traditional work.^{xlviii} Another investment in sustained earning capacity is career coaching as offered by LIFT, with the aim of getting people into better paying jobs. Organizations focused on workforce development and quality jobs also have a role to play in ensuring consumers can bring in routinely positive cash flows.

Savings Products and Services

Short of directly infusing cash, some tools can minimize the energy consumers spend creating and sticking to their own savings rules. The CIC sees up close which strategies work well for the individuals and families the members serve.²⁰

- **Commitment devices can make it easier for consumers to stick to their goals.**
 - *Automatic savings transfers* are a simple type of commitment device. For example, MyPath’s participants typically save over \$500 by the end of MyPath Savings, which includes a series of behavioral nudges like signing a savings contract and setting up automatic transfers from participants’ paychecks into savings

accounts. One said, “I really liked auto-deposit. It would have been way too much work to save without it.”^{xlix} One MyPath study showed that when young workers have access to split and direct deposit, they save a substantial portion of their earnings towards their savings goals. The data show that MyPath youth deposited an average of 40 percent of their paychecks directly into their savings accounts for the duration of their employment programs using this automatic feature.^l The Financial Clinic sees the impact of automatic deposits among coaching clients, too. One consumer initially approached the Clinic with \$1,500 of credit card debt in collections. She used auto-deposits to build a savings alternative to the card, ultimately accumulating over \$1,000.^{li}

- *Club savings accounts* exploit consumers’ instincts to compartmentalize their money, while restricting access so users can most easily access it only at designated times. Offered by some banks and credit unions, club accounts attach labels to the funds in them. One example is known as Christmas Club accounts. Consumers save in these accounts throughout the year and withdraw from them in time for the holidays. Inclusiv has found a particular demand for these among very-low-income consumers. Unbanked people interviewed in a study by the nonprofit said they would be more encouraged to save at a formal institution if it offered accounts tagged for specific needs like “a car, Christmas, [or a] Quinceañera.”^{lii}
- *Fintech nudges* interact with consumers to help them reach savings goals. Commonwealth has developed one example of these, a “savings pocket” attached to prepaid cards which users access online or through a mobile app. The interface prompts people to save there automatically or manually when funds are available, and each time users ask to withdraw it gives an option to reconsider. An evaluation found that the tool effectively helps consumers “address immediate needs and stabilize their financial lives” because it strikes a balance between structured savings and flexible access. The product also reduced reliance on expensive loans, another indicator of its stability-enhancing impact.^{liii}

²⁰ The strategies outlined here may not be appropriate for all low- and moderate-income families but highlight promising solutions for certain households. For example, automatic transfers may not be ideal for all consumers, especially those with volatile cash flows. For some, “setting and forgetting” options can also lead to unintentional overdraft fees that exacerbate instability. In addition, low- and moderate-income individuals can find it hard to take advantage of some seemingly simple nudges. nLIFT, a coalition of nonprofits, is pushing fintech companies to design tools to increase financial inclusion with this group in mind. For more information on nLIFT, see <https://www.aspeninstitute.org/programs/nlift/>.

- **Savings incentives can motivate people to save more.** Savings products can formalize the rewards and punishments that consumers create for themselves. For example, IDAs incentivize people to save by matching deposits up to a certain amount.^{lv} Prize-linked savings (PLS) accounts are another incentive tool, treating each deposit as a chance for account-holders to win prizes.^{lv} Commonwealth pioneered PLS from small pilots in the mid-2000s, and accounts reach millions of consumers today.^{lvi} EARN has developed a similar product, called SaverLife, that rewards users with \$10 every month that they save \$20. The nonprofit's incentive increases clients' savings cushion by an average of \$760 in six months.^{lvii} In addition, removing asset limits, a disincentive to savings, in public benefit programs may spur savings.
- **Opportunities to seize new income help consumers save when they can.** The tools in this category help consumers save at the time of financial windfalls—such as when consumers receive new or larger paychecks or when they receive their yearly tax refunds—to immediately capture these additional funds into savings. For example, MyPath uses this principle to automatically deposit a portion of young people's first paychecks (based on the pre-commitment memorialized in their Savings contract described above) into a youth-friendly savings account. Relatedly, Commonwealth is exploring design features to translate employees' raises into financial security-building opportunities.^{lviii} Commonwealth has piloted tools to help people save tax refunds, just as it has for the other two types of savings products described in this section. Since 2013, Commonwealth has partnered with VITA sites across the country to pilot SaveYourRefund to offer cash prizes to tax filers who use IRS Form 8888 to save a portion of their tax refund. Since its inception, 9,000 tax filers have saved more than \$7.5 million.^{lix} More recently, Commonwealth has partnered with EARN to combine tax-time saving opportunities with saving incentives. Their SaversWin program asks filers to pledge to save their refund, entering pledgers into a lottery for both small weekly \$100 drawings and one \$5,000 prize. Among those who followed through with a pledge to save, savings cushions remained high: Their account balances stayed \$600 above their pre-tax-time levels for at least three months.^{lx}
- **Financial coaching can encourage savings habits.** Financial coaching targets overall financial well-being for its clients by working with them to tailor solutions to individual situations and client-identified goals. A randomized experiment that The Financial Clinic participated in found that this

pursuit of client-defined goals has an acute impact on clients' savings cushions. The average consumer with access to financial coaching saved more often and ended up with a higher balance than the control group, without such access, did.^{lxi} Other data from The Financial Clinic suggests that for clients who meet with a coach at least three times, one-third of any income increase they experience ends up as savings.^{lxii} Other research suggests that repeated, detailed discussions about saving plans boost clients' savings.^{lxiii} Savings buffers may also grow in part because coaching helps clients to pay fewer late fees: They are more likely than a control group to pay bills on time, and less likely to have paid a late fee in the previous two months.^{lxiv}

Access to High-Quality Credit

Besides cash assistance and savings products and services, opportunities to access high-quality credit also improve short-term financial stability.

- **Some tools directly provide high-quality loans.** Community development credit unions (CDCUs) extend loans to low- and moderate-income consumers with more flexible underwriting and no increase in delinquency. Through an analysis conducted by Inclusiv of 97 CDCU loan portfolios, the nonprofit estimates that CDCUs issued \$8 billion in consumer loans to people with low or no credit scores in 2017 – people who would typically be denied credit at other institutions.^{lxv} Though the CDCU model is perceived as higher risk, community-oriented credit unions are responsible lenders and have a consistently higher return on assets than other credit unions.^{lxvi} Most borrowers starting out with a low credit rating improve it through their credit union relationship.^{lxvii}
- **Other tools indirectly open access by improving credit scores.** Though credit scores aren't immediate cushions themselves, consumers recognize that they're an important element of accessing the loans that are. MAF's clients are most drawn to its Lending Circle product primarily because it gives them a chance to improve their credit scores.^{lxviii} And the Lending Circle product works: Compared to a comparison group, participants with low scores were almost twice as likely to increase scores by 20 points or more.^{lxix} Alternatively, MyPath and Neighborhood Trust connect clients to credit-builder loans provided by partner credit unions. These loan products hold a small sum of \$500 in escrow for clients and block access to it until borrowers have fully paid it off in installments reported to credit bureaus. A formal evaluation shows the credit-building effectiveness of MyPath's Credit program, and a Neighborhood

Trust analysis shows similarly impressive results.²¹ Tools like these have the added benefit of leaving consumers with a \$500 savings buffer in addition to improved credit access.

- **Financial coaching can improve credit scores.** Financial coaching is associated with consumer access to high-quality credit, in addition to its impact on savings cushions. A randomized evaluation of access to financial coaching found that people with access ended up with higher credit scores and lower reliance on payday loans.^{lxx} Similarly, almost 6 in 10 coaching clients in the Pathways program run by Inclusiv and Neighborhood Trust improve their score, with an average increase of 38 points.^{lxxi} Coaching's credit impact, as with its savings

impact, also appears to rest on a strong coach-client relationship. The Financial Clinic explains that “coaches can help customers put debt reduction in the context of their other financial goals,” and that they “can be critical in helping customers take the action necessary” to improve credit access.^{lxxii} A study of MyPath's approach of combining credit-building tools with financial coaching for working young adults showed the combination significantly boosted their credit, as well as their savings and financial confidence.

Cash infusions, savings products, and products that make high-quality credit accessible can all help consumers do more with their own efforts to reach short-term financial stability.



²¹ Within six months, MyPath youth who had low credit scores (defined for this study as a FICO score of less than 680) improved their scores an average of 23 to 30 points. In addition, 53.7 percent of participants moved into the good credit category (a FICO score of 680 and above), including many individuals that began the program without credit scores, as credit “invisibles” or “thin file” individuals without enough credit history to generate a credit score. For more information on the MyPath Credit program and the results from its two-year pilot study, see MyPath. “Not Getting Enough Credit: Exposing Credit Needs among Opportunity Youth, and Introducing an Innovative Trust insights based on internal data. <https://mypathus.org/wp-content/uploads/2014/09/MyPath-Not-Getting-Enough-Credit-Brief.pdf>.

6. CONCLUSION

Many programs and policies rightly prioritize long-term well-being for consumers. Financial security represents freedom for people to reach their life goals, whatever those may be. However, to have financial security in the long run, short-term financial stability is a prerequisite. In other words, financial stability provides a foundation from which financial security, and eventually, economic mobility, is built. People with financial stability are surrounded by a robust scaffolding of financial cushions. Their income exceeds expenses through some combination of living wages or effective public benefits; they use cash flow buffers to build liquid savings, possibly in tools that incentivize deposits and protect funds; and in a pinch they have access to affordable loans which might be made in the more flexible underwriting model of CDCUs.

This report draws on direct insights from the CIC to show the importance of routinely positive cash flow, liquid savings, and access to high-quality credit. Having these cushions, along with social capital and other creative buffers, defines short-term financial stability and makes financial security more likely. They protect consumers from everyday financial shocks, jump-start the accumulation of longer-term assets, and reinforce the financial behaviors that lead to larger assets and longer-term well-being.

We invite readers of this report to use it in two ways: apply our insights about stability and security in your own work, and expand on our insights with the consumer data uniquely available to you.

Apply These Insights In Your Work

Evidence here implies that nonprofit, for-profit, and public organizations – especially those wanting to bring long-term financial security to people at scale – should focus on removing barriers to short-term stability. A diverse set of actors interact with consumers, and each has a role to play in this effort. These include, for example, employers, governments, banks and credit unions, benefits administrators, workforce development services, or even early childhood centers.

Practitioners in any sector can advance stability with three guiding principles:

1. **Think diagnostically about the consumers your work touches.** Do they have cushions available to combat everyday financial shocks? Are you in a position to improve their cash flow, liquid savings, or access to high-quality credit? As the CIC members do, you can apply curiosity to your data to better understand the behaviors, attitudes, and challenges of the consumers your work reaches.
2. **Incorporate learnings into the design of your work.** The CIC does not stop at understanding the consumer experience. Rather, members use insights to develop products, services, and policy recommendations that fit on-the-ground needs. Once your organization sees its opportunities to enhance peoples' stability, it should act on them.
3. **Reach out for advice and collaboration.** Collectively and individually, CIC members have a trove of knowledge about which tools work best to improve stability – and more generally about how to learn from the people they interact with. Others wanting to develop and apply insights about short-term financial stability should consider the CIC members a ready and willing resource.

Expand On Our Findings

Insights presented here, while robust, do not shed light on all key aspects of short-term financial stability. We invite both practitioners and other researchers to contribute to this learning process.

All sectors have rapidly growing access to consumer data. Using it responsibly, your organization can seize the opportunity to add to the field's knowledge from your unique consumer touch points. Working together, we can build a more granular picture and mosaic of the everyday financial lives of consumers, and then use it to advocate for interventions that make a real difference. We see avenues for continued research on at least five fronts:

- **Treat short-term stability as a main outcome of interest.** New analyses should consider how to best measure short-term financial stability. Thoughtful advances here will allow for a better understanding of both its prevalence and the factors that affect it.
- **Seek out a fuller picture of consumer financial behavior.** Some actors may be able to tap into an individual's full set of transactional accounts, which fills in missing pieces to help explain consumer choices. Others have an advantage in unveiling informal, social interactions that impact family finances.
- **Use longitudinal data to track long-term impacts.** The field needs more sustained data collection to articulate the links between the short and long term. While CIC members have many outcome metrics at their fingertips, they have a harder time tracking the same consumers long enough to measure how those

translate into impacts on broader financial security. Those with access to sustained data about the same set of consumers have an opportunity to contribute to this knowledge.

- **Explore behavioral links between the short and long term.** CIC members intuitively understand that positive financial actions reinforce themselves over time, propelling people from stability to security. More evidence is needed to map out how this process practically works.
- **Appreciate the diversity of consumer experiences.** Any advances in our knowledge about short-term financial stability must recognize that the same intervention can have a range of impacts depending on whom it reaches. Research should help build the field's intuition for this diversity. Qualitative data and consumer stories have an important role to play in this effort.

This report is an invitation to all sectors to build financial stability and our understanding of it, taking advantage of your consumer touch points to do so. We all have an opportunity to move forward with intention in the name of expanding short-term financial stability in the United States - and ultimately the opportunities that come from having long-term financial security.

ENDNOTES

ⁱ New surveys from the Board of Governors of the Federal Reserve, the Consumer Financial Protection Bureau, the Center for Financial Services Innovation, and the Bureau of Labor Statistics, the Center for Financial Services Innovation, and the Bureau of Labor Statistics indicate that today's consumers have trouble making ends meet. They've uncovered that nearly half of Americans can't pay for a \$400 emergency expense with savings, and that over a third struggle to pay for basic needs like food, medicine, and housing. For details, see: Board of Governors of the Federal Reserve System. "Report on the Economic Well-Being of U.S. Households in 2017." May 2018. <https://www.federalreserve.gov/publications/files/2017-report-economic-well-being-us-households-201805.pdf>; Consumer Financial Protection Bureau. "Financial Well-Being in America." September 2017. https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/201709_cfpb_financial-well-being-in-America.pdf; Garon, Thea, Andrew Dunn, Katy Golvala, and Eric Wilson. "U.S. Financial Health Pulse: 2018 Baseline Survey." Center for Financial Services Innovation. November 2018. <https://s3.amazonaws.com/cfsi-innovation-files-2018/wp-content/uploads/2018/11/20213012/Pulse-2018-Baseline-Survey-Results-11-16.18.pdf>; and Kosanovich, Karen. "A Look at Contingent Workers." US Bureau of Labor Statistics. September 2018. <https://www.bls.gov/spotlight/2018/contingent-workers/pdf/contingent-workers.pdf>.

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