



## Evaluating the Return on Investment of FAIM Program—Education Track

August 2012

### Highlights from the findings

Overall, the FAIM program has been a terrific resource for the mobility of Minnesota's low wage families. Of the 115 Education Track FAIM graduates surveyed:

- 65% had completed their degree or certificate by the time of the survey, another 31% were actively pursuing their degree or certificate.
- 40% of respondents indicated that their employment has improved since completing their education; **57% indicated their incomes have increased** by a combined \$440,000+ per year.
- 12% of respondents reported not being on any public assistance when they enrolled in the FAIM program. Since then, the number of respondents not using public assistance has **more than quadrupled** to 57%.
- 24% of respondents have **no debt**.



## Mission Statement:

Family Assets for Independence in Minnesota (FAIM) provides Individual Development Accounts (IDAs) to enable people to escape poverty and achieve wealth through asset acquisition.

### A. Introduction

The Family Assets for Independence in Minnesota program helps low-income working Minnesotans increase savings, assets, and financial knowledge to achieve greater economic security. Since its inception, FAIM has assisted 650 Minnesotans in pursuing and achieving their career goals through higher education. This report synthesizes data gathered from a survey of 115 program participants in order to show the return on investment both for the state and the participants themselves.

### B. What is Family Assets for Independence in Minnesota (FAIM)?

FAIM is a matched savings project launched in 1999 to help Minnesota low-wage earners build assets through the purchase of a home, pursuit of higher education or the launch or expansion of a small business. Participants income must be at or below 200% of poverty (\$37,060/year for a family of three). FAIM is part of a nation-wide initiative to promote Individual Development Accounts (IDAs). Similar to employer-based matched retirement accounts, IDAs reward work by requiring accountholders to deposit earned income into their accounts as they prepare for their asset purchase. The program requires participants to complete 12 hours of financial literacy classes prior to receipt of matched funds. They are also required to complete asset-specific education, so those who were entering college for the first time took college readiness classes. Accountholders deposit a total of \$960 into bank accounts at an average of \$40/month for up to two years. Minnesota has historically matched this with \$1440 per account holder, and the federal government matches the other \$1440.

### C. Purpose

This report aims to educate policy leaders, funders, and other decision-makers about the powerful impact of the Family Assets for Independence (FAIM) program on the lives of low-wage Minnesotans who aspire to fulfill their career goals. FAIM delivers a strong return on investment for the public and private dollars that have supported this initiative since its inception in 1999. At that time, a bipartisan group of state legislators appropriated \$500,000 per biennium to establish an ongoing, statewide network of FAIM program sites in urban, rural and suburban areas of Minnesota. One-to-one matching federal funds were linked to this state appropriation, which was temporarily eliminated during a very difficult state legislative budget balancing session in 2011. Successful advocacy efforts at the 2012 legislature led to the reinstatement of partial state funding for FAIM and enabled federal funds to continue to flow to statewide program service sites.

The collection of solid program outcome data and life-changing success stories is vital to telling the story of FAIM and its impact on Minnesota families and local communities. Through 2011, low-income FAIM accountholders have saved over \$2.5 million of their own funds in individual development accounts and acquired nearly 1,700 long-term financial assets. Twenty-five percent have acquired their first home, 41% invested in higher education, and 34% capitalized a small business. Over 3,000 FAIM accountholders have completed 12 hours of general financial education, increasing the financial fitness of Minnesotans working to leave poverty permanently. High quality financial education and ongoing coaching are key program success factors. Participants receive one-to-one guidance on sound budgeting, credit repair, debt reduction, consumer protection and mortgage lending products, and how to maintain their assets. These new skills are modeled and passed on to the next generation, decreasing the likelihood of intergenerational poverty. FAIM asset purchases also boost local economies through increased home ownership property taxes, newly created jobs, local small business purchases, and increased professional skills.



This report was requested by members of the statewide Family Assets for Independence in Minnesota (FAIM) Council, comprised of representatives from local Community Action Agencies, Bremer Bank, City County Federal Credit Union, Greater Twin Cities United Way, Leech Lake Tribal Government and Emerge Community Development.

The primary researcher was Lisa Hermanson, Master of Public Policy (MPP) candidate at the Humphrey School of Public Affairs, University of Minnesota, with support from Pam Johnson of Minnesota Community Action Partnership and Josie Shardlow, also an MPP candidate at the Humphrey School.

The authors wish to thank the individuals contacted for their participation and feedback that informed this research.

## Here is what survey respondents had to say about the FAIM program:

*“(FAIM) put me on more solid footing to get my bachelor’s degree. It’s laying the foundation for me to get my masters and probably Ph. D.”*

*“It helped me learn how to budget , save up for school, and find a family/work balance.”*

*“Beyond helpful, without the FAIM program I would not be able to pursue a career in pharmacy.”*

*“The FAIM Program has been very instrumental in motivating me to take the steps that would encourage me to reach my goals. The program provided me with technical skills such as financial literacy, career planning and developing a business plan.”*

*“I don't think I could have done it without FAIM. Financially, I don't think it would have been possible. I was able to put that I was in school on my resume, and it helped me find a job.”*

*“Without it I wouldn't have gone to school. It gave me the first initiative. It was just that little bump, leg up you need to get going.”*

*“(FAIM) helped me to think about where I could get the most bang for my buck. With the matching program, I wanted to use the money wisely. To me, the wisest thing would be to get a certificate that would lend itself to possible additional income.”*

*“FAIM was very helpful in making my dream of earning a bachelor’s degree a reality.”*



**D. Research Findings**

**Theme 1: FAIM Builds a Higher-Skilled Workforce**

**Table 1. Education Level and Status of Interviewed FAIM Participants**

	Number Pursued	Number Achieved (as of summer 2012)	Number in Progress
Certificate	10	8	1
Associate’s-level	29	18	7
Bachelor’s-level	53	25	21
Graduate-level	12	8	4
Other/ Continuing Education	8	5	2
<b>Total</b>	<b>112</b>	<b>64</b>	<b>35</b>

Among FAIM participants that were interviewed, almost all who have completed the FAIM program have either earned their credential or are still in school. Those who have earned their credentials are beginning to experience the benefits.

*“At this time my employment situation is stable, and having a degree is foundational to my position.”*

*“I have a new nursing certification (Public Health Nurse) and a new job with benefits, health insurance for me and my children, and a 403 (b) plan with match !”*

*“Just today I received an offer for \$10 (per hour) more than I was making before.”*

*“When I graduated I was still employed at a manufacturing facility. Now I’m a data analyst.”*

*“My daughter is continuing her education and will graduate with a second degree next spring.”*

*“I have received a promotion at my current employer because of my degree.”*

**Financial Literacy** (each participant was required to take 12 hours of financial literacy classes)

**87%** of participants found the Financial Literacy education either very helpful or extremely helpful.

*“That was the most helpful thing about the program. It helped me balance saving and be able to afford life.”*

*“It kind of opened my eyes to keep that (debt) at a minimum because I didn’t want that to haunt me for the rest of my life.”*

*“It was a very informational class, one that actually applied to my everyday life and still use the information.”*

*“Excellent! I passed that information on to my kids, too.”*



**Theme 2: FAIM Builds People’s Capacity**

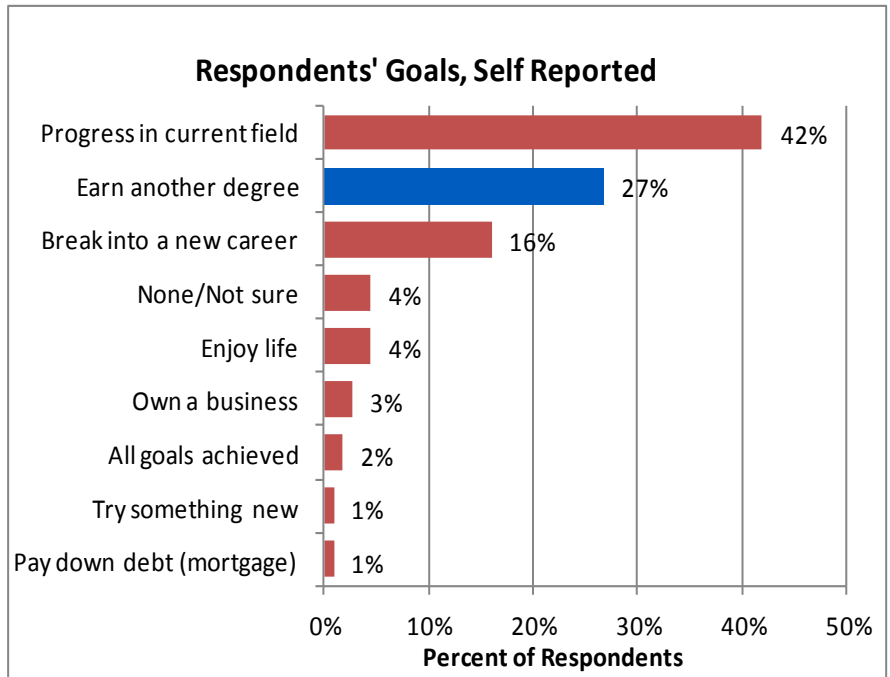
When respondents were asked about their future goals, cumulatively 61% respondents indicated goals regarding careers ("progress in current field," "break into a new career," or "own a business").

The next largest group was the 27% of people who would like to further their education beyond the degree that FAIM contributed to.

When combined, 88% of respondents have goals of progressing their careers, something they could not have done without the help of FAIM.

Here is what some of the respondents had to say:

**Chart 1: Respondents’ Goals, Self Reported**



*“I hope to be an exceptional teacher who makes a difference in my students’ lives.”*

*“My dream job would be to work with seniors, helping them understand their diagnosis and help them understand what works for them.”*

*“I actually thought about going back to grad school for business administration.”*

*“(My goal is) to finish my degree, and the plan is to get a bachelor’s degree in clinical science. So I’m working toward that.”*

**Financial Literacy** *(continued)*

**86%** of participants keep track of their spending.

**24%** of participants have no debt. **88%** of participants that have debt are currently paying it down.

**85%** of participants that have a savings account, **67%** of which add funds to it either frequently or regularly.

**82%** of participants have not used risky financial products or services in the past 6 months.

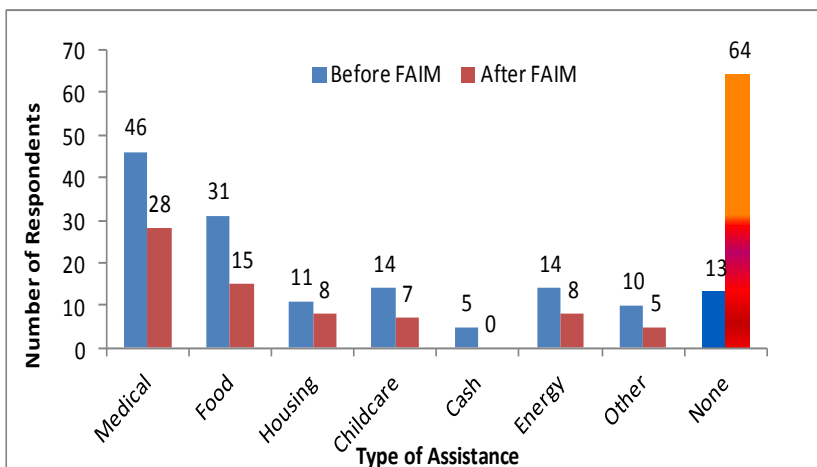
*“I really learned how to use money because of the FAIM program”*



**Theme 3: FAIM Participants become more independent**

**Chart 2: Change in Public Assistance Reported**

Respondents were asked to indicate which, if any, public assistance programs they were utilizing. Not only did the number of respondents **not on any public assistance increase** from 13 to 64, (over 500%), but the number of respondents indicating the use of each type of public assistance *decreased*—often by more than half. Moreover, none of the five respondents who indicated that they were on cash assistance before starting the FAIM program are currently using any type of cash assistance.



**Table 2: Estimated 2011-2012 Savings by Type of Public Assistance**

Type of Assistance	Average annual cost per household	Number no longer on assistance	Estimated Savings
MN Care/Medical Assistance	\$3,684	18	\$66,312
Food Assistance	\$1,308	16	\$20,928
Housing Assistance	\$10,800	3	\$32,400
Childcare Assistance	\$5,480	7	\$38,360
Cash Assistance	\$4,176	5	\$20,880
Energy Assistance	\$600	6	\$3,600
Other	—	5	—
<b>Total savings from respondents</b>	—	60	\$182,480
<b>Total savings entire population</b>	—	498	\$1,513,791

Table 2 illustrates the change in use by type of public assistance as well as the impact of that change. Estimated savings is based on average cost of each program per household in 2011-2012. These figures combine state and federal contribution for an overall picture of public assistance savings. Because many households completed the FAIM program prior to 2011, this table only illustrates savings estimates for the most recent year and does not account for savings prior to 2011.

*The figure for the entire population refers to all FAIM participants on the education track and was figured using a ratio:*

1. [60 decrease in assistance/115 respondents=0.52 decreases per respondent],
2. [0.52\*954 total participants=498 total decreases in public assistance],
3. [498/60=8.3 (multiplier to get proportion of total population represented in sample), so
4. [182,480 dollars saved in sample\*8.3 multiplier=1,513,791 total dollars saved].



**Theme 4: Minnesota benefits from investing in FAIM Participants**

Number of respondents reporting an increased income.....	66
Number reporting decreased income.....	9
Total combined change in respondents' annual income (total increased minus total decrease)...	\$440, 376
Total annual income change for all Education Track FAIM Participants.....	\$3,653,000
Annual Minnesota taxes on income (figured at 7.05%).....	\$257,500
Annual federal taxes on income (figured at 15%).....	\$548,000
Total annual increase in taxes collected (before deductions and tax credits).....	\$805,500
Total annual savings in public assistance.....	\$1,513,800
<b>Savings in public assistance + increase in taxes collected.....</b>	<b>\$2,319,300</b>
<b>Total funds contributed by MN and the federal government to match 1999-2012.....</b>	<b>\$1,481,500</b>
<b>Savings and increase in income/total contributed to match.....</b>	<b>\$1.57</b>

For every **\$1.00 contributed** to match savings on the education track, **\$1.57** in government funds was **generated or saved** just in one year.

**The last thing respondents were asked to do was to indicate what they liked best about the FAIM program and what they would change about it.**

- Top things respondents said they liked best about the FAIM program:
1. Financial Literacy class
  2. The program in general
  3. The match provided

- Top things respondents said they would change about the FAIM program:
1. Nothing
  2. More financial literacy information
  3. Availability to more people



## E. Methodology

Research data were collected via phone and online survey interviews. Participants were graduates of the education track of the FAIM program. Given a list of 954 program graduates of the homeownership track, there were 462 with correct phone numbers or email addresses. Of these, 115 surveys were conducted, 88 via phone and the remainder via an online survey. All had completed the financial education classes. While most had already bought their home, 14 were still in the process and planned to purchase soon.

Letters were first sent out to participants informing them of the upcoming survey. Then nearly 1000 phone calls were made during a one month period from June 27 – July 27, 2012 over the course of nearly 40 hours. All valid numbers were called twice. In the first round, messages were left indicating that they would be called again. In the second round, the message directed them to the online survey.

- Response rate was 25%.
- The largest factor behind non-response was missing or inaccurate contact information. Other than the inherent transience of the target population as a whole, there are no apparent qualities shared among those not reached, meaning the absence of their impact should have no major impacts on the data obtained. Only four people refused to be interviewed. There were six partial interviews, which were included as non-responders.
- The data collected were analyzed in order to measure the FAIM program's impact on participants' lives and public return-on-investment.
- Interviews were semi-structured, meaning that while interviewers had scripts, they were flexible in allowing and pursuing unscripted responses. Interview questions included, but were not limited to, the following:
  - Have you started school. If so, did you obtain your degree/certificate? If not, are you still pursuing it?
  - How has your employment (and later income) changed since entering the FAIM program?
  - What are your employment and career goals? How has FAIM helped you in your pursuit of these goals?
  - What types of public assistance were you using before entering the FAIM program? How has that changed?
  - How helpful were the financial education classes/coaching on a scale of 1-5 with 1 being not helpful at all and 5 being extremely helpful? If helpful, how were they helpful?





## F. Conclusion

The Education Track of the FAIM program achieves the super-fecta of social programs. By assisting working class people in attaining their education goals, the program provides them the opportunity to increase their earnings while raising the skill level of the workforce overall. The financial education component gives participants the tools necessary to manage a lower income during their education and to manage the increased income that typically results from increased education. Parents also teach financial management to their children, thereby passing that tool to another generation.

But perhaps society stands to benefit the most from partially funding the education of people who otherwise could not afford it. Creating a higher skilled workforce also benefits businesses that seek such skill to hire locally versus outsourcing. A more financially literate group of citizens reduces the need for public assistance and, as participants teach their children financial literacy skills, helps to reduce intergenerational poverty. Therefore, not only does this higher skilled, financially literate population contribute more to the society in the form of taxes and require less in the form of public assistance, but they benefit local business and contribute to the vitality of later generations.

Until higher education is reformed, there will always be issues with affordability for working class citizens. Moreover, less funding in the form of student loans and grants are awarded, with higher interest rates and shorter grace periods. Coupled with poor formal financial literacy training, the status quo provides the perfect storm for an increasing gap between rich and poor and a disappearing middle class. The FAIM program narrows that gap by making it more possible for more people to obtain the education necessary for their desired career while teaching them how to be financially savvy and avoid the pitfalls that usually accompany little access to financial resources.

## G. Policy Recommendation

Not less than full funding should be restored to the FAIM program to provide opportunity to Minnesota citizens who want to learn financial literacy skills and have the motivation to pull themselves out of poverty by pursuing a higher paying career that requires a more advanced skill set.

***“Broadening the ownership of assets. . .may help expand economic security and opportunity for the nation’s poor. . . . If encouraging middle- and upperclass citizens to own assets is already public policy, and a quite popular one, should it not be public policy for all Americans?”***

-Ray Boshara, “Individual Development Accounts: Policies to Build Savings and Assets for the Poor.”  
Brookings Institute. 2005.