CAPE-Youth

CENTER FOR ADVANCING POLICY ON EMPLOYMENT FOR YOUTH

Fostering Financial Empowerment for Youth and Young Adults with Disabilities

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Introduction

As youth and young adults with disabilities (Y&YADs) transition into adulthood, they face a complex series of milestones and hurdles in achieving economic self-sufficiency. Y&YADs often struggle to navigate access to community services, support and programs that meet their basic needs. They also frequently have difficulty understanding eligibility criteria and public benefits rules.[1] Further, upon turning 18 and undergoing the redetermination process, nearly 55 percent of children with disabilities who previously received Supplemental Security Income (SSI) are initially determined to be ineligible for adult SSI benefits.[2] This coincides with a critical point in the transition process for Y&YADs and removes a critical means of financial support to Y&YADs as they enter adulthood. In addition, research indicates strong associations between financial health and physical health outcomes, meaning people living in poverty tend to have poorer health outcomes.[3] Since Medicaid coverage is linked to SSI eligibility, many Y&YADs determined ineligible for SSI lose another vital benefit, further blocking the road to financial independence and placing their overall well-being at risk.

What is Financial Literacy?

Financial literacy "describes the skills, knowledge and tools that equip people to make individual financial decisions and actions to attain their goals; this may also be known as financial capability, especially when paired with access to financial products and services."[4] Financial literacy has been correlated with paying bills on time, a decreased likelihood of holding credit card balances, and increased opportunities for retirement planning and asset accumulation.[5] Gaining these skills in youth and early adulthood sets a firm foundation for the financial responsibilities of adulthood.

While the lack of actual financial literacy skills and knowledge is a core issue, an absence of financial capability — the ability and opportunity to use financial skills and knowledge effectively — among Y&YADs can further affect their financial future.[6]

The impact of minimal resources and potentially diminishing resources (i.e., the loss of SSI payments and Medicaid access) for Y&YADs is compounded by a limited knowledge of budgeting, money management, and asset savings strategies. This leaves Y&YADs who are navigating the challenges of transition, particularly those facing additional barriers due to intersecting social factors such as race, ethnicity and intergenerational poverty, at a significant disadvantage when it comes to employment and economic self-sufficiency. In addition, these compounding challenges create a strain on federal- and state-level social and fiscal support systems.

Policymakers are in a position to alter this narrative through new policies or amendments to current policies and practices that decrease the reliance of Y&YADs on public benefits (including but not limited to SSI, Medicaid, Temporary Assistance for Needy Families (TANF), housing assistance and energy assistance) and increase contributions to the tax base through competitive integrated employment.

The Financial Literacy and Education Commission's (FLEC) National Strategy for Financial Literacy should guide the potential levers for change. The FLEC comprises the heads of 22 agencies and the White House Domestic Policy Council. Its purpose is to improve the financial literacy and education of persons in the United States through developing a national strategy to promote financial literacy and education.[7] These national leaders set a roadmap for states to follow for advancing the financial literacy of their residents.

The FLEC offers eight items for states and other local partners to consider in implementing a strategy:

- Knowing the individuals and families to be served.
- Providing actionable, relevant and timely information.
- Improving key financial skills.
- Building on motivation.
- Making it easy to make good financial decisions.
- Developing standards for professional educators.
- Providing ongoing support.
- Evaluating for impact.

Policy Considerations

The strategic imperatives of the FLEC can be actualized for Y&YADs through a consolidated approach at the state level focused on four core actions:

1 | Provide greater access to financial tools and resources.

2 | Enhance existing financial literacy education models to improve the effectiveness in reaching Y&YADs, including those with marginalized identities.

3 | Build upon the work of education systems in Workforce Innovation and Opportunity Act (WIOA)-funded programs to establish a firm foundation of financial literacy among Y&YADs and their families.

4 | Leverage the Community Reinvestment Act (CRA) to specifically address the financial empowerment of Y&YADs through public and private partnerships.

1 | Provide greater access to financial tools and resources.

While navigating the transition to adulthood is difficult and comes with myriad financial challenges, many opportunities exist to support increased financial literacy and empowerment for Y&YADs. However, myths, misinformation and lack of awareness relating to the broader workforce development system (including labor, vocational rehabilitation (VR), education and health) continue to be significant barriers for Y&YADs in achieving their economic goals.[8]

Despite work incentives like Section 301 of the Social Security Act, which allows youth who have an individualized education program or are involved in a qualifying VR program to maintain SSI eligibility and the Student Earned Income Exclusion, Y&YADs continue to be unemployed and underemployed.[9] Further, financial savings programs like Achieving a Better Life Experience (ABLE) and Individual Development Accounts (IDA) provide an opportunity for increased financial freedom.[10] However, only

50,000 people, out of the more than 14 million eligible individuals, are utilizing ABLE accounts.[11] Illinois increased ABLE account usage by amending legislative language to allow child savings accounts to be rolled into ABLE accounts, which is now possible because of the Tax Cuts and Jobs Act of 2017. Other pilot initiatives, like the Disability Employment Initiative, sought to test the expansion of access to and understanding IDAs, ABLE accounts and other financial supports. Still, many of these projects need ongoing funding to sustain the work.

The process of transition planning in the education system, required by the Individuals with Disabilities Education Act, provides a unique opportunity to engage youth and their families in an individualized approach to financial education.[12] The Taxonomy for Transition Programming 2.0 identifies three evidence-based dimensions of family engagement in youth transition — involvement, empowerment and preparation — and further highlights the need for systems to collaborate on developing multi-generational approaches.[13] Experts offer a four-step process for education systems to follow when developing an inclusive approach:[14]

- Assessing financial literacy needs.
- Gathering financial literacy resources.
- Integrating financial literacy activities in inclusive settings.
- Monitoring financial literacy growth and reflection.

Two of ODEP's SSI Youth Solutions papers further support this family-systems and culturally responsive approach – The Family Empowerment Model: Improving Employment for Youth Receiving Supplemental Security Income[15] and Policy Considerations for Implementing Youth and Family Case Management Strategies Across Systems.[16] These models offer broad policy considerations for policymakers.

Even further, participatory learning, where learners actively engage in applied lessons related to financial education, has existed in the U.S. since the early 1980s through the implementation of school banking initiatives.[17] Research in the U.S. and internationally has consistently demonstrated the value of using experiential learning on financial literacy for children and adolescents in school settings.[18],[19],[20] Moreover, the use of game-based learning to support the development of financial skills has been legitimized through a scan conducted in Germany of 20 U.S. and international research studies on the topic.[21] States can incorporate game-based models like the stock-market game (i.e., a tool to engage students to improve academic performance, financial knowledge, and saving and investing habits), and Chair the Fed (i.e., an online simulation developed by the Federal Reserve Bank of San Francisco to support understanding of economics) with existing models like the Illinois State Treasurer's model to increase learning and understanding of financial concepts for Y&YADs.

The workforce system has also developed innovative solutions to address the financial literacy gap and increase economic independence. The New York Systems Change and Inclusive Opportunities Network (NY SCION), which funds Disability Resource Coordinators equipped with knowledge and tools to navigate public benefits to work in all 33 local workforce development areas, is one model for potential replication and expansion.

However, these examples include only parts of the financial scaffolding needed to navigate large and complex systems. Interventions and supports are too often siloed in systems.[22] Consequently, policymakers can look to cross-systems approaches to broaden access to safe and affordable housing, medical care, food and financial health supports. Replicating expanding successful models from one system into other systems such as education, workforce development and VR will provide a foundation for improvement efforts. Access to information on innovative approaches and incentives and evaluation of these initiatives must occur to foster action leading to improved short- and long-term financial outcomes for Y&YADs.

2 | Enhance existing financial literacy education models to improve the effectiveness in reaching Y&YADs, including those with marginalized identities.

Effectively reaching Y&YADs and their families requires understanding and responding to their needs, which are not uniform. This necessitates enhancing existing financial literacy education models to improve access for all Y&YADs, including those with marginalized identities. An underlying assumption in financial literacy education is that individuals face an equal playing field and can make good financial decisions when provided with strong resources.[23,24] Given the diverse needs of Y&YADs, particularly those from marginalized communities with intersecting identities, it is imperative to determine what resources are needed and how best to present or modify information in accessible and culturally competent ways.

In addition, a strong culturally responsive approach should attend to and build upon the diverse backgrounds of Y&YADs and include authentic elements associated with their cultural and real-life experiences (i.e., renting vs. buying) and validate person-centered perspectives (i.e., the culture and language of the individual).[25] Further, stakeholders must work together to understand and apply financial literacy concepts to the present context and assess currently available curricula for the ability to meet the principles of universal design.[26]

Universal Design for Learning (UDL) can play an important role in ensuring culturally competent and equitable access to financial literacy instruction for a wide range of Y&YADs because it utilizes strategies that allow for multiple means of representation, expression and engagement by learners.[27] A UDL will effectively consider the needs of a broad array of learners across the intersection of disability and other cultural identity factors. Consequently, policymakers should encourage the development of models that effectively meet the needs of all Y&YADs and embed the most current research on learning and equity throughout.

3 | Build upon the work of education systems in WIOA-funded programs to establish a firm foundation of financial literacy among Y&YADs and their families.

The WIOA of 2014 provides several opportunities for Y&YADs to advance in their employment and economic journeys. Financial literacy education is one of WIOA's 14 core youth program elements. Specifically, workforce agencies can explore topics like budgeting, establishing credit, identity theft and public benefits advisement with Y&YADs. As noted earlier, policymakers have several ready-made tools to implement this education within their systems of support. Resources to support the use or enhancement of the Federal Deposit Insurance Corporation's Money Smart curriculum and the Your Money, Your Goals toolkit developed by the Consumer Financial Protection Bureau (CFPB) are two options. It is essential for updated versions of these tools to account for UDL and culturally responsive factors noted above. While past CFPB funded pilots across disability-serving systems used Your Money, Your Goals toolkits to increase the financial empowerment of people with disabilities,[28] more work is needed to ensure these incorporate UDL principles.

Additionally, the National Center on Leadership for the Employment and Economic Advancement of People with Disabilities (LEAD Center) developed the Secure Your Financial Future — A Financial Toolkit for People with Disabilities as a universally designed tool to support people with disabilities in navigating the various phases of work and career development. Policymakers now have an opportunity to leverage these pilots and resources, as well as the research on UDL and cultural responsiveness, to infuse this work into their state and local workforce, education, VR and other systems to support Y&YADs in navigating finances during various phases of work and career development.

Some states have already leveraged financial literacy tools within their education systems to foster financial literacy among students. For example, Oregon, Louisiana and Connecticut have taken action to ensure all graduates must take a personal finance course by 2027. By 2028, Minnesota, Indiana and West Virginia will follow suit.[29] These actions place focused attention on education and employment, money management, saving and investing, as well as credit and debt. Broad, age-appropriate, and accessible solutions will set a foundation for allowing Y&YADs to have equitable access to the same tools as their peers without disabilities, and thereby increasing each person's ability to expand their financial education.

4 | Leverage the CRA to specifically address the financial empowerment of Y&YADs through public and private partnerships.

The CRA was enacted in 1977 and remains a critical tool for addressing systemic credit and financial well-being inequities. The goal of the CRA is to encourage banks to support the needs of low- and moderate-income communities.[30] Policymakers can point to examples across the U.S., such as Bank of America, where professionals are already using the CRA to provide financial education to Y&YADs.

Policymakers could work with banks under the CRA to develop specific projects across states and local communities to make financial literacy more available to Y&YADs. There are ample partners across educational institutions, TANF programs, social services agencies, local community organizations, faith-based organizations, and shelters or food banks to provide access points to curricula. In fact, the potential for public and private partnerships to create opportunities for Y&YADs is vast. The Workforce System and Bank Partnerships: A How to Guide from the LEAD Center provides a roadmap for workforce systems to partner with banks to support financial well-being by developing financial services career pathways or financial education.

In addition, the CRA provides an opportunity for financial institutions to develop innovative practices in partnership with policymakers to support Y&YADs in the economic realm. For example, the Vocational Rehabilitation Technical Assistance Center for Quality Management funded through the Rehabilitation Services Administration has a special public and private partnership project to support major banks using CRA commitments as a financial match for the VR program. Currently, states are required to match federal funding at 21.3 percent.[31] Innovative approaches like partnering under the CRA could increase the funding available to serve Y&YADs to reach their employment and economic goals and help states maintain funding for VR in difficult budget seasons. With employment and income as key components of financial health, this broader systems investment approach holds great promise for the CRA to achieve its primary goals.

Conclusion

Y&YADs face additional challenges navigating financial pressures associated with transitioning from youth to adulthood and employment. Policymakers are in a unique position to initiate systemic change by increasing awareness and access to financial tools and resources; enhancing existing models to improve the effectiveness in reaching Y&YADs, including those with marginalized identities; utilizing partnerships with education systems; and leveraging the promise of the CRA through public and private partnerships. Efforts to address all four of these policy recommendations offer clear pathways for Y&YADs and their families to follow as they seek to foster a future of financial independence.

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