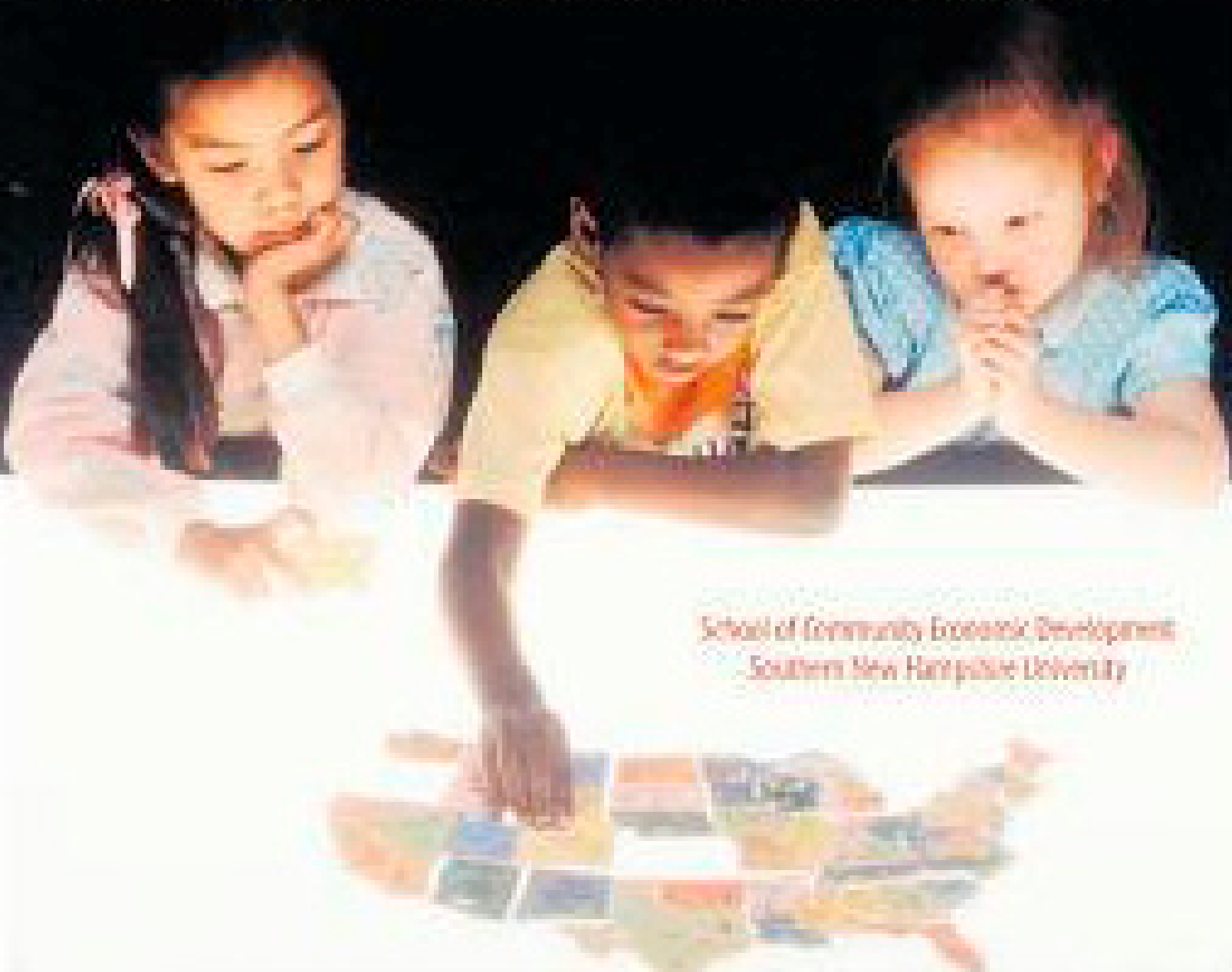


Building a Better Economic Future

A Progress Report for Individuals with
Disabilities & Their Families in America



School of Community Economic Development
Southern New Hampshire University

Building a Better Economic Future

A Progress Report for Individuals
with Disabilities & Their Families
in America

This product was developed in collaboration with the Law, Health Policy and Disability Center, University of Iowa, College of Law, and the Center for Economic Development and Disability, Southern New Hampshire University.

**Southern New Hampshire University
School of Community Economic Development
Board of Overseers 2008-09**

Robert J. Berg
International Consultant

John Blackford
Management Consultant

Howard Brodsky
Chairman and CEO
CCA Global

Lawrence Connell
Attorney
Promontory Financial Group

Joyce M. Dickens
President, CEO
Rocky Mount/Edgcombe
Community Development Corp.

Peter Drashe
Founder
AltruShare Securities, LLC

Denise Fairchild
President
Community Development
Technologies Center

Johnette T. Hartnett
Director of Research
National Disability Institute

Paul LeBlanc
President
Southern NH University

Luis Paez Lorenzo, Jr.

John Nelson
President
Wall Street Without Walls

Gus Newport
Independent Consultant
Community Building Consultant

William A. Ninacs
Associate Director
The Canadian CED Network

Kirsten Moy
Director, EOP
The Aspen Institute

Joan Parker

Roy Priest

Clifford Rosenthal
CEO
National Federation of
Community
Development Credit Unions

Ellen Seidman
Senior Managing Director
ShoreBank Advisory Services

Dan Sheehy
President and CEO
Impact Community Capital

Denise I. Viera
Deputy Director,
Community Capacity
U.S. Department of Justice
Development Office

Kenneth Wade
Executive Director
Neighborhood Reinvestment
Corporation

Copyright SNHU, CED ©2008

Published by Community Economic Development Press
Applied Research Center in CED
School of Community Economic Development
Southern New Hampshire University
2500 North River Road
Manchester, NH 03106

This product was developed in collaboration with the Law, Health Policy & Disability Center, University of Iowa, College of Law, the Center for Economic Development and Disability, Southern New Hampshire University and the National Disability Institute funded by a grant from the U.S. Department of Education, National Institute on Disability and Rehabilitation Research (#H133AO3173). The opinions expressed herein do not necessarily reflect the position or policy of the U.S. Department of Education. Nor does mention of trade names or organizations imply the endorsement of the U.S. Department of Education. The Ford Foundation, NCB Capital Impact, Bank of America, AT&T, Darden Restaurants Foundation, and the National Disability Institute have also partially funded this body of work. The Internal Revenue Service (IRS) Wage & Investment Research Division and IRS Stakeholder Partnerships, Education and Communication (SPEC) in collaboration with the National Disability Institute provided in-kind research support and leadership in developing disability outreach to its Volunteer Income Tax Assistance Network nationwide.

Contents

Foreword	
<i>Michael Swack</i>	7
Economic Empowerment for People with Disabilities	
<i>Michael Morris</i>	9
Disability and Economic Inclusion: Democratic Principles and Promises by	
<i>Johnette T. Hartnett, Steven Mendelsohn and Michael Morris</i>	13
Barriers and Opportunities in Asset Reform	
<i>Steven Mendelsohn</i>	29
Everyday Heroes: How Taxpayers with Significant	
Disabilities are Building Assets	
<i>Tobey Partch-Davies and Jolan Rivera</i>	45
Tax and Financial Service Needs of Working Americans	
with Disabilities	
<i>Johnette T. Hartnett</i>	63
Real Economic Impact Tour	
<i>Johnette T. Hartnett, Michael Morris, Judy Stengel</i>	85
Community Development Credit Unions Respond	
to the Needs of the Disability Community	
<i>Valerie Harrison, Terry Ratigan, Daniel Apfel</i>	99
Equity: Bridging the Gap Between the Asset-Building and	
Disability Communities	
<i>Thomas Foley and Ilia Fong</i>	109

FOREWORD

by Michael Swack

Community economic development (CED) is about economic and social development. CED is a process of development that is participatory and promotes ownership and control of local resources. But successful CED is more than about income. It balances individual benefits with community benefits. How does the individual benefit? How does the community benefit? The Nobel economist Amartya Sen connects development to freedom. In his book *Development as Freedom* (1999) he spans the disciplines of economics, sociology, demography, ethics and more. He claims that development should be seen as “the expansion of real freedoms that people enjoy, requiring among other things, the removal of major sources of ‘unfreedom’, including poverty, tyranny, poor economic opportunities, neglect of public facilities and education, and intolerance.” The practice of CED requires that development go beyond material progress to encompass concerns of social development and social justice that include a broad range of individual actions and conditions that a person has reason to value—such as, for example, participating in community life.

People with disabilities not only struggle with their individual disabilities, but with exclusion from many facets of economic and social life. Perhaps more than others in America, people with disabilities suffer from many of the “unfreedoms” identified by Sen. Over the past five years, the partners in this NIDRR funded project have examined the barriers faced by people with disabilities when trying to participate in the economic and social lives of their communities. In particular, the partners have examined theories, methods and policies to promote participation and asset building for people with disabilities. The work on this project has reviewed and assessed a range of policies and practices from financial services to tax policy and from self-employment to homeownership.

The information in this publication should help drive CED policy and practice for people with disabilities. Policies and practices that promote asset building and participation by and for people with disabilities can begin to address the “unfreedoms” they face. The work in this volume is important because it begins to point the way for policy makers who care about creating a more just society for people with disabilities.

Economic Empowerment for People with Disabilities

Michael Morris

Director, National Disability Institute
CEO, Burton Blatt Institute Syracuse University

Five years ago, a group of organizations began an important set of research and community development activities to *increase our understanding of how to design a roadmap out of poverty for individuals with disabilities* and their families nationwide. Today, the results are not only the creation of new knowledge to advance the economic self-sufficiency of millions of individuals with disabilities but also the establishment of an infrastructure at a community level that is changing expectations about the power of human and financial capital with regard to our nation's most undervalued and vulnerable citizens.

Whether the need is for access to quality education, effective transition from school to work, needed transportation, housing, technology or long-term supports, the lack of such assistance can lead to enduring poverty and lack of economic empowerment, which diminishes freedom, opportunity, and self-determination. *For millions of working-age adults with disabilities, a dependence on public benefits for income, health care, food, and housing becomes a trap that requires staying poor to stay eligible.*

During the past five years, the National Disability Institute has challenged assumptions of policy, public attitudes and program objectives. From Washington, D.C. with policymakers, to state capitals in Atlanta, Columbus and Tallahassee, to local engagement with broad-based coalitions in over 60 cities nationwide, NDI has promoted an optimistic view of the power of collaboration to bring people with disabilities into the economic mainstream.

Economic empowerment is the capacity to preserve and grow resources that expand life choices.

What is economic empowerment and how is it a different focus with which to frame public assistance and produce more valued outcomes? *Economic empowerment is the ability to develop and control income and assets.* Economic empowerment is the capacity to preserve and grow

resources that expand life choices. Economic well-being does not come solely from income, spending and consumption. It requires savings, investment and accumulation of assets. Assets have been proven to enhance economic stability and independence, connecting individuals with a viable and hopeful future and stimulating development of human and other capital. For

persons with disabilities, it will produce choices that directly impact quality of life. Research findings indicate that asset development impacts mental and physical health including self-concept and level of community participation. It will also change expectations and status with other community stakeholders.

The research findings and community development activities described in the subsequent articles in this journal highlight an evolving new generation of thinking and expectations. As public attitudes slowly begin to shift, several myths about people with disabilities are beginning to disappear. **First myth: people with disabilities are unable to work and produce income.** Nationwide, there is a noticeable increase in pursuit of entrepreneurship by people with disabilities with home-based businesses and technology-enhanced enterprises. A growing number of Fortune 100 companies are including disability within their promotion of diversity and an inclusive workforce. Affinity groups within major companies have been formed to provide support to employees with disabilities and enhance opportunities for career advancement. There is an appreciation of enhanced income production as the first step toward a better economic future.

Second myth: people with disabilities can't be expected to save and build assets. Focus group research funded by the Ford Foundation has documented that people with disabilities want to work and reduce reliance on public assistance. In growing numbers, individuals with disabilities are taking advantage of tools like the Earned Income Tax Credit (EITC) and matched savings plans (such as Individual

Development Accounts or IDAs) to build assets.

Third myth: people with disabilities need to be dependent on government assistance to meet their full range of needs. In surveys and interviews NDI conducted nationwide, people with disabilities, like people without disabilities, value personal freedom and independence. They indicated their desire to be a part of the American Dream—to own their own home and save for retirement. Respondents repeatedly discussed their need for government assistance with health care, but without the impossible, unfair choice of remaining poor to remain eligible for assistance. A new way of thinking is beyond incapacity and isolation. For millions of individuals with disabilities, public policy should be aligned to promote income generation, savings and asset building. Work is perceived not as an end goal. Work is an expectation as a critical means to a better economic future.

The 21st century offers a supporting policy context for all levels of government, employers and businesspeople, and community and faith-based organizations to work together to advance an economic empowerment agenda. The underlying foundation remains the Americans with Disabilities Act (ADA). The purpose statement of the ADA states clearly that *“the Nation’s proper goals regarding individuals with disabilities are to assure equality of opportunity, full participation, independent living, and economic self-sufficiency for such individuals.”* Other public policy at a federal level must also provide a consistent, complementary unifying vision that values and rewards work, income production, saving and asset building without retribution or penalty.

Asset limits for entitlement programs must be waived or raised to incentivize and reward behavior that empowers individuals with disabilities to pursue economic self-sufficiency.

The ADA is also the legal framework for the *Olmstead* Supreme Court decision that recognized the value of community participation and demands that state government rebalance public resources to improve consumer self-direction and possibilities for independent living. As we approach a tenth anniversary of the Court's *Olmstead* Community Integration mandate, the Centers for Medicare and Medicaid Services (CMS) have continued to *encourage states to provide individuals with disabilities the tools they need to live self-determined lives*. The 2007-2009 CMS Strategic Action Plan has placed a priority on the support of state action to design and implement "economic self-sufficiency incentives."

Across the federal government, *multiple agencies are moving forward with an economic empowerment agenda* for individuals with disabilities. From the IRS support of increased outreach about, access to and use of the Earned Income Tax Credit by low-income workers with disabilities, to the Social Security Administration investment in a network of benefit specialists to help beneficiaries return to work and advance their self-sufficiency, to the US Department of Labor's support of Disability Program Navigators to bring diverse public and private systems of service delivery together to improve employment outcomes, positive signs abound of government being innovative, supportive and collaborative in its efforts to

build a better economic future for individuals with disabilities.

We have learned *there is no single strategy or solution* that will overcome multiple barriers to the advancement toward greater self-sufficiency for this population. We do know that in communities nationwide novel demonstrations of the use of disability-specific and generic tools and strategies are making a difference. Increased understanding and use of work incentives, raised asset limits in state Medicaid buy-in programs, access to financial education, affordable financial services, matched savings plans, and other strategies to promote home ownership and family self-sufficiency are being blended to support increased economic and personal freedom.

The roadmap out of poverty for individuals with disabilities is being discovered and chartered by a new set of pioneers and new kinds of partnerships that recognize that *government alone cannot solve all social problems*. The Real Economic Impact Tour has forged new partnerships between traditional allies and new organizations. The public and private sectors including government agencies, financial institutions, employers, and people with disabilities are discovering new ways to interact and create a new calculation of the value of inclusiveness in the workforce and the economic mainstream. Success needs to be documented and analyzed and new knowledge needs to be translated for long-term sustainability and systems change in communities nationwide.

As a final context to consider the possibilities of the next decade, it is important to remember

that as of March 2008, 1.1 million children nationwide were receiving SSI benefits. Two-thirds of these children are expected to remain on benefits for life. The public cost will be in excess of 200 billion dollars—a figure that does not include the additional costs of nonparticipation in the labor force and almost nonexistent impact as a consumer in the mainstream economy. The research and

community development activities described in the accompanying articles present a powerful, optimistic picture of a different future for this generation of children and future generations of children with disabilities. We, as researchers, policymakers, practitioners, and taxpayers, should *expect nothing less than society's full support for a better economic future* that does not leave people with disabilities behind.

Disability and Economic Inclusion: Democratic Principles and Promises

by Johnette T. Hartnett, Ed.D., Steven Mendelsohn, J.D., and Michael Morris, J.D.

Summary

People with low incomes and disabilities do not receive much assistance from the tax code or mainstream financial institutions to build assets that would allow them to participate fully in community life and shed their dependence on public income supports. The asset development movement in the U.S. is finding inspiration, among other places, in innovations by practitioners in developing countries. The critical state of poor Americans today stands in stark contrast to the promises made during the nation's founding and history. Sadly, opportunities for wealth accumulation extended only to certain "common people" and not to others—particularly those of "different" race, religion, or abilities. Remedies must include a change in conception as to the necessities for ensuring "full citizenship rights" to include asset development; a change in the tax code to recognize the costs and complexities of building assets for people with disabilities; and a change in the administration of individual accounts to accommodate the specific needs of people with disabilities. Making these changes will not only allow the achievement of independence for many people but will guard against the looming threat of unsustainable growth in public expenditures.

Part I: Asset Accumulation and the Poor

There is no single policy issue that captures the promise of existing civil and human rights as does the emerging field of asset development for individuals with low incomes and with disabilities. Asset development's potential to enable and facilitate full social, civic and economic participation in the financial mainstream for one of society's most marginalized groups is widely acknowledged

but little understood. The benefits of asset ownership are well known—better education, good jobs, better health, and more access to social and community life.¹ Since the early twentieth century in the United States the mechanisms that support asset accumulation became firmly rooted in the financial marketplace and the tax code, but they functioned mainly in proportion to people's

¹ See for example Bynner & Paxton (2001).

income. Of increasing interest in both the public and private sector is how the existing financial marketplace and tax mechanisms can assist America's low-income, underserved communities. (Jacob, 2006) (Tescher, Sawady, & Kutner, 2007)

The asset movement is posing new questions for policymakers interested in eradicating poverty in the United States: How can America's poor best participate to increase their economic self-sufficiency and in many cases decrease their reliance on public benefits? How do low-income individuals and families accumulate and preserve assets? Who are they? What are their needs? How many are there? And how can the financial marketplace help?

Limited Help from the Tax Code

America's poor—all 37 million—have incomes below about \$20,000. Over half (51%) of taxpayers with disabilities have incomes at or below this level and another 27% under \$40,000

. . . individuals with incomes below \$30,000 receive about 22% of federal tax entitlement benefit dollars . . .

If the earned income credit were excluded, more than 82% of the tax benefit dollars would flow to those with income above \$50,000.

(IRS Wage and Investment Research, 2007).² The Earned Income Tax Credit, established by the Nixon administration, is one of the nation's most effective anti-poverty programs—in 2008, it lifted over 5 million people out of poverty and reached

over 22 million families. (Keeling, 2008)

Overall, counting the earned income tax credit, individuals with incomes below \$30,000 receive about 22% of federal tax entitlement benefit dollars from such provisions as the child tax credit, untaxed social security, child care credits, and deductions for mortgage interest, charitable contributions, saving and loan income, property tax, real estate tax, and medical expense. By contrast, 72% of these federal tax credit and

deduction dollars go to households with income above \$50,000. If the earned income credit were excluded, more than 82% of the tax benefit dollars would flow to those with income above \$50,000. (Gist & Verma, 2002)³ The asset development movement for low-income Americans is focused on the taxpayers with low

² Among the population as a whole, 37.3 million or 12.5 percent are living in poverty with family incomes less than about \$20,000 for a family of four. (U.S. Census Bureau, Housing and Household Economic Statistics Division, 2008) In contrast, 18 percent of people with non-severe disabilities and 38 percent of people with severe disabilities lived in households with incomes at this level (Steinmetz, 2006). Of those aged 25 to 64, 8% of people with no disability were in poverty, compared with 11% of people with a non-severe disability and 26% of those with a severe disability. (Steinmetz, 2006)

³ Please review pages 8-9 of Gist & Verma (2002) for more in-depth analysis of the "expanded income" definition used as well as figures 6 and 7 for distribution of federal spending entitlements by income class, for the population age 65 plus, year 2000.

incomes who currently struggle to accumulate any significant assets through the existing tax code, as well as through the mainstream financial marketplace.

Alternative, Predatory Financial Services

Estimates of the underbanked and underserved range from 35 to 75 million depending on the definitions used. Disability research suggests that 30 to 50 percent of individuals with disabilities do not have a banking relationship in their community—which means no checking or savings account. Low-income persons with and without disabilities are turning to alternative financial services to meet their financial needs. The predatory lending industry in the United States is estimated at \$42 billion and is providing low-income Americans with loans and check cashing services at interest rates well above average. (Kitsch, 2006) Despite the surge of public and private attention to educate low-income customers as to the pitfalls of alternative lending business practices, the industry continues to grow. Efforts to provide courses in financial education, matched savings plans, and homeownership, debt and credit counseling have met with varying degrees of success depending on the cultural and ethnic strategies used and incentives offered. In addition, research on banked individuals receiving the Earned Income Tax Credit found that incomes were still well below \$20,000, leaving little room for asset accumulation or preservation. (Hartnett, 2006) (Holt, 2006)

Insights from Developing Countries

The U.S. can learn from approaches to combating poverty in other countries. For example, developing countries are leading anti-poverty innovation in how to use mobile commerce and cooperative lending to build financial stability and entrepreneurship for billions of citizens making less than four dollars a day. They recognize that the “work is development work and not about serving an existing market more efficiently.” (Smith & Thurman, 2007, p. xv) Citigroup studied microcredit and found that “2.5 billion people have never used a bank—40% of the world.” (Smith & Thurman, 2007, p. 40) The architects of these innovations understand that ownership of assets is a core value of being human and the cornerstone for building economic well-being worldwide.

The work of C.K. Prahalad offers new insights for those working in the poverty policy arena in the United States. He demonstrates through extensive case studies that it is possible to make a profit and help people move out of poverty through microenterprise development. (Pralhad, 2008, p. 66)⁴ Although he is working in countries where the level of investment to impact large numbers of people is much smaller than it would be in the United States, his philosophy is sound and framed by a model that “focuses on small unit packages [e.g., single-serving sachets of shampoo, biscuits, or aspirin], low margin per unit, high volume, and

⁴ Prahalad discusses the idea that the total amount of borrowed funds needed to lift someone from poverty is roughly equal to the average annual income per capita of the borrower’s country (which is defined as the World Bank’s GNI per capita 2005, Atlas method). For example, this would be \$120 in parts of Africa and as high as \$4,460 in Russia, \$43,730 in the US, or \$37,000 in the United Kingdom.

high return on capital employed [compared to the western model that looks at] large unit packs, high margin per unit, high volume, and reasonable return on capital employed.”

(Prahalad, 2008, p. 24)

This model is predicated on a framework that offers choice, encourages self-esteem and respect for human dignity and builds trust—not unlike the self-determination movement in disability that encompasses many of these goals.

Muhammad Yunus, the 2006 Nobel Peace Prize winner, founder of Grameen Bank and leader in the microlending movement, recently opened Grameen America in New York City. The irony of the U.S. testing a development model from a developing country highlights the gravity of the

Muhammad Yunus, . . . founder of Grameen Bank and leader in the microlending movement, recently opened Grameen America in New York City. The irony of the U.S. testing a development model from a developing country highlights the gravity of the problem we face here at home.

problem we face here at home. Low-income Americans need a new financial marketplace that caters to their preferences, behaviors and cultural and individual needs. Similar to our colleagues from poor countries, policymakers must develop a model for the accumulation and preservation of assets that works for low-income Americans and that champions economic self-sufficiency and independence.

But how did we arrive where we are today? How is it that so many millions of low-income Americans with and without disabilities, despite billions of federal dollars spent on anti-poverty and disability programs, are still unable to move out of poverty into economic self-sufficiency?

Part II: Democracy and Disability: Unmet Guarantees

The idea that “common people” could save and accumulate wealth was at the heart of America’s early economic philosophy. Adam Smith’s seminal economic work, *The Wealth of Nations*, was published the same year that the colonies declared their independence from Britain, 1776. Thomas Jefferson promoted Adam Smith’s idea of self-sufficiency and economic independence as the cornerstone and core function in building a sound economic new world. From innovative land tenure policy that redistributed land as early as 1780, to government-sponsored education for returning twentieth century war veterans (the GI Bill), legislation planted the seeds for the development of wealth accumulation for “middle-class” Americans. Today’s interest in asset development for low-income Americans and Americans with disabilities captures the essence of this early philosophy of our founding fathers and promotes its basic principle that the dream of economic independence through rugged individualism, responsibility and hard work is indeed attainable for Americans.

Privileges for Some and Not Others

Historically, the true scope of this innovative thinking was limited to a specific group of “common people” and did not recognize the human or civil rights of people that the New World considered “different.”⁵ Disability in early Colonial America was viewed as a burden and expense despite state Constitutions that stated otherwise. (Hartnett, 1999) Vermont’s Constitution of 1777, thirteen years before its admission into the Union, recognized the “privileges of democratic life” and included two clauses that specifically identified the care of persons and estates of those who were “non compos mentis” or “not of sound mind.” (Hartnett, 1999) (Carlisle, 1965) The irony in this colonial legislation for the poor and “feeble-minded, lunatics, or mental defectives” (as colonial law referred to disability) was the absence of the “democratic virtues” it so boldly embraced. (Ponzio, 1997) The primary function of colonial law for the poor and individuals with disabilities was thought to be more of a *safeguard for society against people with*

The irony in this colonial legislation for the poor and “feeble-minded, lunatics, or mental defectives” (as colonial law referred to disability) was the absence of the “democratic virtues” it so boldly embraced.

⁵ The history of marginalization and its after-effects on generations of Americans with disabilities (Hartnett, 1999) and African Americans is just beginning to be told. Shapiro and Oliver (1995) led the way in their groundbreaking work on the marginalization of African Americans through generations of exclusion from major asset-building initiatives, such as the Homestead Act of 1862 that gave titles to 1.5 million mostly white families in post-Civil War America. With title to land, these families “were much more likely to finance education for their children, provide resources for their own or for their children’s self-employment, or secure their political rights through political lobbies and the electoral process.” (Shapiro & Oliver, 1995, p. 22)

disabilities. Despite the promises of democracy, the civil and human *rights of colonial Americans with disabilities, although recognized legislatively, were not honored*. (Hartnett, 1999)⁶ The understanding of this early history dispels the common myth that people with disabilities (particularly in the twenty-first century) have had the same access “to the privileges of democratic life” (access to asset development and wealth-creating strategies created for all Americans) as did their fellow citizens without disabilities.

Intergenerational Repercussions

Early colonial law did not allow someone to inherit land or assets if deemed “non compos mentis” or without sound mind. No research has ever traced the generational impact of this legislation on the high poverty rates of individuals with disabilities today. Although research on intergenerational wealth transfer has not been conducted that traces the “costs” of exclusion to individuals with disabilities and their families, the research on race and asset ownership demonstrates that the “hidden costs” are high. (Shapiro, 2004) (Park, Turnbull, & Turnbull, 2002)

Research on generational wealth and asset ownership finds that the high poverty rate of African Americans in the twenty-first century is correlated to the lack of generational wealth transfer and directly related to the lack of inclusion by legislation such as the Homestead Act that so favorably benefited white Americans. (Shapiro, 2004) (MacLeod, 1995)

This research on generational wealth did not look at the disability segment of the population although the poverty rate for individuals with a severe disability is three times higher than for people without disabilities.

Equality’s Unmet Challenges

America developed its asset-building public policy through its brilliant Constitution that supported a new world social revolution of both individual and community asset-building opportunities. A young Frenchman, Alexis de Tocqueville, traveled to America in 1839 to observe this experiment in building a democracy independent of religion and wrote to his translator that “with the cause of equality from now on won . . . I am here to stress the bad tendencies which equality may bring about.” (de Tocqueville, 1966, p. xi) Not understanding the concept of disability in his day, Tocqueville made the astute observation that the concept of equality may not be quite enough in guaranteeing liberty to citizens who have different abilities. (Seto & Buhai, 2006) Tocqueville believed that “the first duty imposed on those who now direct society (America) [was to] educate democracy.” (de Tocqueville, 1966, p. 12)

Creation of Protections and Opportunities . . .

A number of financial innovations and practices were introduced to the young democracy that provided a financial “gateway” and “education” for future generations to pass through on their road to becoming full citizens.

⁶ For a full review of the historical and legislative history of entitlement for Vermonters with intellectual disabilities please review chapters 4, 5, and 6.

As early as 1636 pensions were created for veterans in Plymouth Colony (Seto & Buhai, 2006), and later Civil War pensions for veterans with disabilities placed a value on the life and service of each soldier and acknowledged the responsibility of the government to compensate for injury or disability. (Blanck & Song, 2003) In the 1830s Americans introduced the concept of life insurance and for the first time in American history a monetary value was placed on each life and guaranteed economic security to survivors in the event of death.⁷ The development of public education and the investment of communities, states and the federal government in its growth indicated the importance of education and the human capital it provided for those lucky enough to participate. The opening of financial institutions laid the infrastructure for the United States and its citizens to become the economic center of the world. The early twentieth century introduced a federal tax system that provided an array of financial incentives and asset-building opportunities for Americans to accumulate and grow wealth. The role of the tax code and its treatment of citizens with disabilities went unstudied in these early years. (Mendelsohn, 2006)

The concept of “individual accounts” was introduced and became reality as American workers contributed a portion of their weekly pay to an account that held the social promise of security in old age.

The growth of hospitals was accompanied by the creation of health insurance designed to protect one’s assets from the ravages of illness and its unexpected costs. (Kovner, 1995) The growth of institutions for people with disabilities during the 1800s and early 1900s kept disability at a distance from mainstream society. Today, even with a 59% decrease in the number of individuals living in institutions, “there is still little guarantee of a place [for people with disabilities]” in American community life. (Stancliffe & Lakin, 2004) The early twentieth century also set the stage for Congress to introduce legislation for rehabilitating returning war veterans that would

become the oldest federal disability agency a century later (Vocational Rehabilitation). By the 1930s, Americans found themselves reeling from the worst financial loss in their history during the Great Depression, and their government responded with groundbreaking legislation that would buffer future economic loss. The concept of “individual accounts” was introduced and became reality as American workers contributed a portion of their weekly pay to an account that held the social promise of security in old age.

⁷ The concept of life insurance began in England at least a century before, but did not take strong root in the United States until the 1830s. Mutual Life Insurance of New York was one of the first successful life insurance companies in this country. (Murphy, 2002)

... Extended to All?

As the United States moved into the second half of the twentieth century, with two world wars in its past, it became painfully obvious that basic human rights were still being denied to a number of Americans due to their “differences”—whether of race, religion or disability. During the second half of the twentieth century the civil rights and disability rights movements introduced long overdue legislation in the areas of education, health care, transportation, independent living, and employment.

Disability and Democracy’s Unmet Promises

In 2004, educators, policymakers and disability providers who work with individuals with intellectual disabilities gathered to produce a national “strategic plan” complete with “national goals” as a roadmap toward building full citizenship for Americans with disabilities that touched on every aspect of life. (Lakin & Turnbull, 2005) This effort from over 200 national experts was in response to the unmet promises of decades of disability legislation that supposedly guaranteed the “promises of democratic privileges” (as mentioned above). Steele (2006) wrote that these unmet promises

The system is broken, as evidenced by the fact that individuals with significant life-long disabilities who want to work are forced to choose a life of poverty in order to receive health care . . .

represent an “infidelity to democratic principles” reminiscent of the civil rights era when the United States tested its own moral authority. (p. 82) Steele suggests that as a country we have never recovered from this test and are experiencing a “race fatigue” that is slowly dismantling the efforts of the civil rights movement. Using this analysis, one could say that there is a “disability fatigue” and that American culture continues to disassociate

itself from its own “democratic principles” and promises made to its citizens considered “different.” (Steele, 2006, p. 153)⁸

This “fatigue” is obvious when one looks at the high unemployment rates individuals with disabilities continue to endure. Research over the past twenty years has documented repeatedly the challenges of being on a public benefit, going back to work, and attempting to accrue assets. The system is broken, as evidenced by the fact that individuals with significant life-long disabilities who want to work are forced to choose a life of poverty in order to receive health care, in contradiction with the very principles of democratic life put forth by our forebears. The “fatigue” is obvious in the workplace where individuals with disabilities continue to be underemployed. Research over the past few decades has

⁸ Steele discusses the human condition and how we disassociate ourselves from our enemies and how as a culture we are doing this when it comes to race.

documented the relatively low cost of accommodations for a company interested in hiring an employee with a disability. Law schools have documented the underutilization of tax credits by employers. And the unemployment rates of people with disabilities continue to grow. The “fatigue” is obvious in

the financial marketplace as mainstream financial institutions have lagged in developing strong market products and services for the low-income and have been largely replaced by predatory lending markets that have seized an opportunity.

Part III: Defining Asset Development

Wealth and asset-building strategies are capacities and resources intended to increase quality of life. (Beeferman, 2001) Today when we talk about assets we refer to individual assets that include money, savings, stocks and real and personal property as well as human capital assets such as skills, knowledge and experiences gained from education and training. (Mendelsohn, 2006) (Hartnett, Mendelsohn, & Morris, 2008) In addition, Mendelsohn uses the term “gateway assets” for community assets often essential to individuals with disabilities going to work or to school or just participating in community life. Gateway assets are the value of access to family and social contacts, education, transportation, communications, health care and expert advice (such as tax and financial advice) for individuals with disabilities. The concept of “gateway assets” moves the dialogue of “equal treatment” to another level.

At a national Round Table meeting, asset

development for individuals with intellectual disabilities and their families was presented as a third pillar (in addition to the two pillars of income and service supports) for people with intellectual disabilities “that would ensure full citizenship rights”. (PCPID, 2004) Although income support and public benefit programs traditionally are not characterized as “assets,” they were presented as complementary social policy pillars alongside the “asset building/development field”.

There is no consensus on what a formal definition of asset development for individuals with disabilities should look like (although the field is beginning to draft versions). In addition, there are no research-based findings that correlate asset ownership and the achievement of “full citizenship” for persons with disabilities. However, there is consensus that *assets do matter* (Boshara, 2001) and that individuals who have assets live longer and are healthier and more educated, as mentioned earlier in this paper.

Asset Development and the Tax Code

The role of tax policy in asset development is well-known. Through provisions ranging from the deductibility of home mortgage interest to the tax treatment of employee retirement plans, tax policy plays a central function in the lives of many people.

For low-income Americans the role of the income tax system in emerging asset development programs is less clear. Although provisions such as the earned income tax credit (EITC) have bolstered the income of many low-wage workers, such strategies have been conceived of more as income-support than asset-development measures. Elaboration of the role of tax strategies for low-income workers will in large degree depend upon our ability to develop policies that accommodate the notion of asset-accumulation as meaningful in the lives of low-income workers. We have long recognized, as in the phrase “cash-poor,” that people with substantial assets may have small incomes or little cash, but we have yet to recognize that people could and should be able to acquire assets as a hedge against low income and as a long-term upward mobility technique.

Particular Problems for People with Disabilities

Application of asset development strategies to low-income persons with disabilities presents

even greater complexity. It requires not merely that we overcome our surprise at the juxtaposition of assets and poverty. It also requires that we deal with restrictions in means-tested or needs-based federal programs that strictly and harshly limit both the income and the assets (usually called resources) that program participants or beneficiaries can earn or possess.

It is not likely that the tax system can do more for low-income Americans with disabilities than for low-income Americans without disabilities. But if it can do no more, it is also imperative that it do no less. This means that the tax system must do three things, outlined below.

First, it must find ways to recognize that the costs of various activities and outcomes for people with disabilities may be higher than for other persons. Whether one is talking about the cost of an accessible home versus a non-accessible one, the need for a personal assistant’s services to remain in one’s home rather than being institutionalized, or the need for sign-language interpreters and speech-output computers for persons who are blind or deaf to participate fully in commerce, a tax law that recognizes the base costs in principle must recognize these add-on or gateway costs as well.

Second, the tax system must find ways of subsidizing third parties who provide necessary goods and services, in those cases where tax

We have long recognized, as in the phrase “cash-poor,” that people with substantial assets may have small incomes or little cash, but we have yet to recognize that people could and should be able to acquire assets as a hedge against low income and as a long-term upward mobility technique.

subsidization of the user or recipient is not possible because of their non-receipt of income. Needless to say, this must be done in ways that do not result in penalization under strict benefit-program income and resource formulas for people who receive non-cash goods and services provided by such third parties. Under current law, it often would.

Third, greater flexibility must attach to the timing of tax benefits in relation to the receipt of assets or income. There would be little point in providing tax-favored status to the costs of specialized job training or rehabilitation, or for that matter continuing education for return to work, if the income against which such benefits is to be offset will not to be earned until years later, when the opportunity for the offset has been lost. The tax benefit has to be available, in an accounting sense and as a source of cash flow or financial leverage, at the times when it is needed and useful.

Whether the tax system can usefully address the restrictions on asset development posed by means-testing of programs on which people

with disabilities rely for income, food subsidies, medical services, housing or transportation, is beyond the scope of this paper (see the article on p. XX for a more in-depth discussion of the need for reform of disability tax policy). Suffice to say, without attention to the three issues noted above, any chance it would have of doing so would be entirely eliminated. (Seto & Buhai, 2006)⁹ (Lipman, 2003)

Federal Role in Developing Individual Accounts

Today, there are over 200 programs across 23 federal agencies providing public disability benefit programs. (GAO, 2005) The Social

Security Administration offers a number of work incentives as does the Center for Medicaid Services¹⁰ for promoting work, increasing consumer control, and furthering the financial well-being of individuals

with disabilities in hope of decreasing public benefit use. (Kregel & Bader, 2005, pp. 32-33) Unfortunately many of these efforts have had little effect and continue to be underutilized.

Today, there are over 200 programs across 23 federal agencies providing public disability benefit programs.

⁹ Seto and Buhai argue that standard tax theory is inadequate to deal with the problems of people with disabilities, because most theory assumes that taxpayers are identical except with respect to income.

¹⁰ Examples from the Social Security Administration and Center for Medicaid Services as well as other federal entities include: the SSA's Plans for Achieving Self Support (PASS), Plans for Establishing Self Sufficiency (PESS), Impairment Related Work Expenses (IRWE), Ticket to Work and the Work Incentives Improvement Act of 1999; the CMS's Independence Plus Waivers (Section 115 Demonstration and Section 1915 Waivers) for Living with Independence, Freedom and Equality (LIFE) Accounts; the Department of Labor's Individual Training Accounts (ITAs); the Center for Mental Health Service's Mental Health Block Grants for Person-centered recovery plans; Health and Human Services Office of Community Service's Individual Development Accounts (IDAs); FDIC's Money Smart Program for financial education; the Small Business Administration's Randolph Shepherd Program for micro-enterprise development; Housing and Urban Development's Family Self-Sufficiency program for home ownership assistance; free tax assistance and filing from the IRS; and the USDA's AgraAbility program for Rural Farming.

(Kregel & Bader, 2005) People with disabilities don't avail themselves of these programs for the same reasons workers with disabilities know so little about tax provisions and financial services: when asked about the one or the other, few know about their existence and most believe the rules are too complex and difficult to understand. (Fagnoni, 1999) (Hartnett, 2006)

Successful or not, disability programs have led the way in the development of individual plans and accounts. As early as the 1970s, with the passage of the Individuals with Disabilities Education Act (IDEA), the federal response to special education called for Individualized Education Plans (IEPs) to be created—and it became clear that one size did not fit all. By 1990 public and privately funded self-determination demonstrations validated the idea that consumer control of public resources enhanced results and satisfaction. By 2000 the Center for Medicaid Services created expanded opportunities for the creation of individual budgets to be self-directed individual accounts. Less studied are the financial education and tax needs of individuals with disabilities and their families who are managing their own budgets under various federal benefit programs instead of working through the traditional provider system. These experimental self-management programs are part of the self-determination movement away from provider-driven services and supports toward a market-driven individual choice model. This evolution requires trusted and informed partnerships across a number of stakeholders traditionally not part of the disability provider network, such

as partnerships with the IRS, FDIC, U.S. Department of the Treasury and at the local level, partnerships with community-based organizations such as United Way, community action agencies, asset building coalitions, VITA coalitions, Mayors' Offices on disability, veteran organizations, and many more.

Individual Development Accounts

The current asset development movement that is focused on individual accounts was launched by the work of Michael Sherraden and the publication of *Assets and the Poor* in 1991. In addition to his major finding that “assets matter economically and socially” he found that association with an institution such as one's place of work played a large role in determining who had access to assets or not. (Sherraden, 1991) Sherraden introduced the concept of individual development accounts (IDAs), a saving vehicle for low-income individuals that encourages and rewards personal savings and provides financial education.

The Assets for Independence Act (1996) provides federal funding for IDAs and usually restricts asset purchases to three purposes: homeownership, small business investment, or post-secondary education.¹¹ These limits create barriers for individuals with disabilities whose specific needs may include first month's rent for students transitioning from school to work, computers, assistive technology, a customized vehicle or other specific equipment that is more attuned to their needs and budget. Today, there are over 30,000 account holders accumulating savings with IDAs. (CFED, 2007) The major

¹¹ There are other purposes sometimes permitted such as “retirement, home repair, and computer or automobile purchase.”

finding from the first national evaluation of an IDA demonstration project is that low-income people can and do save. (Schreiner, Clancy, & Sherraden, 2002) Little is known about savers with disabilities from this study as account

holders with disabilities were not identified. IDA demonstrations for people with disabilities are currently being conducted in a number of states, and research from these projects will undoubtedly inform future policy.¹²

Conclusion

Historically, those designing America's tax code and building its financial infrastructure largely ignored disability considerations. Although our forebears supported the idea that "common people" could save and accumulate wealth, the scope of this innovative thinking in the late eighteenth century was limited to a specific group of "common people" and did not recognize the human or civil rights of people that the New World considered "different" until well into the twentieth century. As we begin the twenty-first century, we must recognize that the existing financial and tax infrastructure continues to favor individuals with incomes far above those of people we have discussed here.

This paper provided a broad overview of the challenges of our current financial and tax infrastructure; the unmet needs and promises of its democracy; and finally the role of tax and federal policy in recognizing the needs of all its citizens. Some would say we have come a long way and others that we have a long way to go. The United States has used transfer payments to cushion the poor and needy against severe hardship. In disability policy, government expenditures are estimated at over \$300 billion a year for income maintenance and service programs. Although humane, the value of these

expenditures has been questioned. The Government Accountability Office has found great need for rationalization and coordination, (GAO, 2007) (GAO, 2008) and the Congressional Budget Office (CBO) has questioned the efficacy of many programs. (CBO, 2004) But the biggest problem is that the programs don't offer a path to self-sufficiency. In many cases, their complicated means-testing ensures continued dependency. Programs for enabling people to acquire and build assets are increasingly recognized as the only long-term solution to escalating costs and frustrated hopes. Such programs use public resources to leverage and encourage savings rather than as punishment for such efforts. To do this we need to transcend the notion of sharp demarcation lines between eligibility and ineligibility, and allow people to retain benefits, including health insurance through Medicaid and other key supports, long enough and reliably enough to acquire the tools for self-sufficiency. By relaxing rigid means-testing in ways that have been successfully demonstrated in numerous program settings, and by turning the benefits cutoff cliff into a manageable, sloping hill, we can achieve the goals of personal independence and long-term expenditure reductions that have until now eluded us.

¹² The National Disability Institute and NCB Development Corporation received an Assets for Independence Grant from the U.S. Department of Health and Human Services that provided communities in New Hampshire and Mississippi with the dollar match to offer IDA programs for people with disabilities.

Works Cited

- Beeferman, L. W. (2001). *Asset Development Policy: The New Opportunity*. Waltham, MA: Asset Development Institute, Center on Hunger and Poverty, The Heller School for Social Policy and Management, Brandeis University.
- Bishaw, A., & Semega, J. (2008). *Income, Earnings, and Poverty Data from the 2007 American Community Survey*. Washington, D.C.: U.S. Census Bureau.
- Blanck, P., & Song, C. (2003). "Never Forget What They Did Here". Civil War Pensions For Gettysburg Union Army Veterans and Disability in Nineteenth-Century America. *William and Mary Law Review*, 44, 1109–1171.
- Boshara, R. (Ed.). (2001). *Building Assets: A Report on the Asset-Development and IDA Field*. Washington, D.C.: Corporation for Enterprise Development.
- Bynner, J., & Paxton, W. (2001). *The Asset-Effect*. London, UK: Institute for Public Policy Research.
- Carlisle, L. (1965). *Mental Retardation in Vermont: A Chronology of Changing Attitudes. Vermont Mental Retardation Planning Report*. Montpelier, VT: Pavilion Hotel.
- CBO. (2004). *Disability and Retirement: The Early Exit of Baby Boomers from the Labor Force*. Washington, D.C.: Congressional Budget Office.
- CFED. (2007). *Individual Development Accounts: Providing Opportunities to Build Assets*. Washington, D.C.: Center for Enterprise Development.
- de Tocqueville, A. (1966). *Democracy in America*. (J. Mayer, Ed.) New York, NY: Harper Perennial.
- Fagnoni, C. M. (1999). *Social Security Disability: Multiple Factors Affect Return to Work: Testimony Before the Subcommittee on Social Security, Committee on Ways and Means, House of Representatives*. Washington, D.C.: United States General Accountability Office.
- GAO. (2008). *Federal Disability Programs: More Strategic Coordination Could Help Overcome Challenges to Needed Transformation*. Washington, D.C.: United States Government Accountability Office.
- GAO. (2007). *Highlights of a Forum: Modernizing Federal Disability Policy*. Washington, D.C.: United States Government Accountability Office.
- GAO. (2005). *Federal Disability Assistance: Wide Array of Programs Need to be Examined in Light of 21st Century Challenges*. Washington, D.C.: United States Government Accountability Office.
- Gist, J. R., & Verma, S. (2002). *Entitlement Spending and the Economy: Past Trends and Future Projections*. Washington, D.C.: AARP, Public Policy Institute.
- Hartnett, J. (2006). *Educating Democracy: Tax and Financial Service Needs of Working Americans with Disabilities: A Profile of the Utilization and Demographics of the Tax Filing and Financial Service Activities of EITC Eligible Workers with Disabilities*. Washington, D.C.: National Disability Institute.
- Hartnett, J. (1999). *Toward a Philosophy of Difference: An Analysis of Vermont's Obligation to Establish Entitlement for Adults with Developmental Disabilities. Dissertation*. Burlington, VT: University of Vermont.
- Hartnett, J., Mendelsohn, S., & Morris, M. (2008). *Financial Incentives Study for Persons with Disabilities*. Washington, D.C.: National Council on Disability.
- Holt, S. (2006). *National Tax Assistance for Working Families Campaign: 2006 Report to the Annie E. Casey Foundation*. Holt & Associates Solutions.
- IRS Wage and Investment Research. (2007). *Disabilities Research Report: Characteristics of Disabled Taxpayers Ages 18 to 59. Study of Filing Patterns and Preferences for Receiving Tax Information & Services*. Washington, D.C.: U.S. Treasury/IRS/SPEC.
- Jacob, K. (2006). *Highlights from the Inaugural Underbanked Financial Services Forum*. Chicago, IL: Center for Financial Services Innovation and SourceMedia.
- Keeling, R. (2008, September 11). Partnering to Build Real Economic Impact for Americans with Disabilities. Atlanta, GA: IRS SPEC.
- Kitsch, L. I. (2006). *REAL Solutions: Solving the Financial Service Needs of America's Working Families*. Madison, WI: Filene Research Institute.
- Kovner, A. R. (Ed.). (1995). *Jonas's Health Care Delivery in the United States* (5th ed.). New York, NY: Springer Publishing Company.
- Kregel, J., & Bader, B. (2005). *The Social Security Administration's Efforts to Promote Employment for People with Disabilities. New Solutions for Old Problems*. Washington, D.C.: National Council on Disability.
- Lakin, K. C., & Turnbull, A. P. (Eds.). (2005). *National Goals and Research for People with Intellectual and Developmental Disabilities*. Washington, D.C.: The ARC of the U.S. and the American Association on Mental Retardation.
- Lipman, F. J. (2003). Enabling Work for People with Disabilities: A Post-Integrationist Revision of Underutilized Tax Incentives. *American University Law Review*, 53, 393-458.
- Murphy, S. (2002). Life Insurance in the United States through World War I. In R. Whaples (Ed.), *EH.Net*

- Encyclopedia*. URL <http://eh.net/encyclopedia/article/murphy.life.insurance.us>.
- MacLeod, J. (1995). *Ain't No Makin' It: Aspirations and Attainment in a Low-income Neighborhood*. Boulder, CO: Westview Press.
- Mendelsohn, S. (2006). Role of the Tax Code in Asset Development for People with Disabilities. *Disability Studies Quarterly*, 26 (1).
- Oliver, M. L., & Shapiro, T. M. (1995). *Black Wealth/White Wealth: A New Perspective on Racial Inequality*. New York, NY: Routledge.
- Park, J., Turnbull, A. P., & Turnbull, H. R. (2002). Impacts of Poverty on Quality of Life in Families of Children with Disabilities. *Exceptional Children*, 68 (2), 151-70.
- PCPID. (2004). *A Charge We Have to Keep: A Road Map to Personal and Economic Freedom for People with Intellectual Disabilities in the 21st Century*. Washington, D.C.: President's Committee for People with Intellectual Disabilities.
- Ponzio, J. (1997). *Madness, Law, and Medicine in Vermont: 200 Years of Deinstitutionalization*. Plainfield, VT: Unpublished Masters Thesis, Goddard College.
- Prahalad, C. (2008). *The Fortune at the Bottom of the Pyramid: Eradicating Poverty Through Profits, Enabling Dignity and Choice Through Markets*. Upper Saddle River, NJ: Wharton School Publishing.
- Schreiner, M., Clancy, M., & Sherraden, M. (2002). *Final Report: Saving Performance in the American Dream Demonstration: A National Demonstration of Individual Development Accounts*. St. Louis, MO: Center for Social Development, George Warren Brown School of Social Work, Washington University.
- Seto, T. P., & Buhai, S. (2006). Tax and Disability: Ability to Pay and the Taxation of Difference. *University of Pennsylvania Law Review*, 154, 1053.
- Shapiro, T. M. (2004). *The Hidden Cost of Being African American: How Wealth Perpetuates Inequality*. New York, NY: Oxford University Press.
- Sherraden, M. W. (1991). *Assets and the Poor: A New American Welfare Policy*. Armonk, NY: M.E. Sharpe.
- Smith, P., & Thurman, E. (2007). *A Billion Bootstraps: Microcredit, Barefoot Banking, and the Business Solution for Ending Poverty*. New York, NY: McGraw-Hill.
- Stancliffe, R. J., & Lakin, K. C. (Eds.). (2004). *Costs and Outcomes of Community Services for People with Intellectual Disabilities*. Baltimore, MD: Brookes Publishing Company.
- Steele, S. (2006). *White Guilt: How Blacks and Whites Together Destroyed the Promise of the Civil Rights Era*. New York, NY: HarperCollins Publishers.
- Steinmetz, E. (2006). *Americans With Disabilities: 2002, Current Population Reports, P70-107*. Washington, D.C.: U.S. Census Bureau.
- Tescher, J., Sawady, E., & Kutner, S. (2007). *The Power of Experience in Understanding the Underbanked Market*. Chicago, IL: Center for Financial Services Innovation.
- U.S. Census Bureau. (2008, May 27). Facts for Features: Anniversary of Americans with Disabilities Act. Washington, D.C.: U.S. Census Bureau Public Information Office.
- U.S. Census Bureau, Housing and Household Economic Statistics Division. (2008). *Current Population Survey (CPS), 2008 Annual Social and Economic Supplement (ASEC)*. Washington, D.C.: U.S. Census Bureau.

Barriers and Opportunities in Asset Reform

by Steven Mendelsohn

Summary

The United States government aids people in need through payments, in-kind benefits and services, but most social programs stop providing benefits if the resources of the beneficiary exceed certain thresholds. This practice results in the paradoxical outcome of preventing people from accumulating enough assets to become self-sufficient and leave the welfare rolls. Attempted remedies have so far only made the system more complex and the process more daunting for participants, or have focused on preserving existing assets rather than helping people with no assets build resources. These problems affect the poor, the elderly, and most acutely individuals with disabilities, whose costs are so high. The political process has failed to yield remedies so far because of a poor understanding of the costs of means-testing, an over-estimation of the costs of making benefits more easily available, and an absence of a clear idea of how to carry out experiments in eliminating means-testing. Any such experiment should make self-sufficiency the goal for participants and eliminate the fear that accumulated resources will cause the forfeiture of valuable benefits before participants have achieved solid independence. Advocates must press for reform of the system aimed toward building self-sufficiency, before ballooning commitments and dwindling resources cause bankruptcy or wholesale abandonment.

Background

Any effort to make asset reform a cornerstone of public policy requires a baseline understanding of the importance of assets as opposed to income and as a foundation for self-sufficiency. “Asset reform” seeks to modify current policies in line with such an understanding.

A Generous Nation

America’s generosity at home and abroad is as admirable as it is legendary. Current public policy includes transfer payment programs, providing cash, in-kind benefits and other services to persons deemed in need of assistance. Levels of public social program expenditure, including most notably on health care, are increasing rapidly and, in conjunction

with the aging of the population, are forecast to grow steadily in the coming decades.

Common Denominators

Most transfer payment and social programs have one key feature in common. The financial status of the beneficiary or recipient is a major component of the eligibility determination or of benefit levels. Some programs use a sliding scale, under which benefits decrease as income or resources rise over specified eligibility thresholds. Other programs use an all-or-nothing approach, predicating eligibility on whether income or resources (often defined in highly technical ways) exceed or fall below specified limits.

Where benefit curtailment is predicated on an all-or-nothing approach, a lack of proportionality can result in which the value of what is lost exceeds the value of the excess income or resources that triggered the reduction. This problem becomes particularly acute where medical coverage, housing subsidization or transportation services are concerned.

The Paradox

Means-tested programs were designed to provide subsistence, to ensure that people would not fall below minimum standards of decency as our society defined it, and to ensure that only the “truly needy” would benefit. But they have come under increasing strain as we have moved toward the recognition that long-term self-sufficiency, not subsistence, is the only sensible goal of social policy. Indeed,

. . . long-term self-sufficiency, not subsistence, is the only sensible goal of social policy.

we have come to recognize that failure to place self-sufficiency and asset reform at the heart of public policy may all too soon force our nation to choose between, on the one hand, bankruptcy, or on the other, brutal abandonment of its fundamental human commitments.

Paradoxical as it may seem, in order for people to achieve what we regard as self-sufficiency, it is often necessary to continue providing benefits above and beyond what is required for subsistence, and to combine benefits with wages, savings and other resources. We recognize the investment value of services such as education or job training, but have been slow to appreciate that the same logic may apply to cash benefits or medical care.

Asset reform requires upfront expenditure for the sake of longer-term savings, but in an environment where the rules governing cost-benefit calculation by government do not lend themselves to such longer-term projections, the economic and political case for these

propositions has yet to be fully made.

Cost-shifting also hinders asset reform, because even when it can be established that a given measure will result in aggregate savings in public expenditure over a foreseeable number of years, the real issue may be less one

of overall costs than of the allocation of costs among agencies or between state and federal government.

Work Disincentives

For people with disabilities, one of the key consequences of asset limitations is that many social programs, while providing indispensable assistance, have also come to operate as disincentives to employment or self-sufficiency. This is typified in such programs as Supplementary Security Income (SSI) (Social Security Act Title XVI) and Social Security Disability Insurance (Social Security Act Title II) where earned income over modest program limits results in either scaled reductions or complete cessation of cash benefits, and potentially in the even more serious loss of linked health insurance coverage.

The work disincentive element of means-tested or needs-based programs is increasingly recognized.¹ Because of these disincentives, a number of antidotes, known as work incentive provisions, have been added to the law over the past 25 years. Rather than work incentives, it might be more accurate to call these corrective measures “anti-disincentives.” To use a medical analogy, they are like medicines given to counteract the adverse side effects of other medicines.

The Meaning of Work

Our nation has long regarded the opportunity

to work as central to individual fulfillment, and needless to say, the availability of work for all Americans who want to work has long been at the core of our economic strength and growth.

In this light, the shocking disparity between the employment rates for working-age adults with and without disabilities commands our urgent and immediate attention and concern (for data, see National Council on Disability, 2008).

As a component of this disparity, work disincentives raise the question: how can we tolerate programs and policies that significantly interfere with the achievement of long-term self-sufficiency through work for so many who aspire to it? There is no simple answer. Perhaps the closest we can come to a comprehensive answer is that work disincentives never emerged by design, but are a byproduct of other policy goals and historical assumptions. It was never intended that transfer payment programs should operate as barriers to employment or savings. Rather it was assumed that transfer payment recipients could not work, since if they could they would not be in need of assistance. All our programs partake, to greater or lesser degree, in the dichotomous premise that people either can or cannot work.

Asset Accumulation

The negative effects on benefits are similar whether an individual gains earnings from

. . . work disincentives never emerged by design, but are a byproduct of other policy goals and historical assumptions.

¹ Most recently, the subject has spawned creation of the Congressional Assets and Ownership Caucus.

employment, or accumulates assets through savings from employment, entrepreneurship, prudent long-term investing or other strategies. Program rules that limit assets and resources operate to prevent the accumulation of capital for self-sufficiency. As a result, such limitations often force people to choose between protracted dependency and precarious independence or between saving and spending.

As a normal and expected outgrowth of employment, asset accumulation is as central as employment to the American dream. To understand the significance of asset accumulation for upward mobility and middle class status, one need only consider the emphasis placed by US tax, transportation and other policies on the goal of home ownership, or on the pride taken by our political figures (at least prior to the subprime crisis) in steady increases in the percentage of Americans owning their own homes.

The value placed by our culture on home ownership is symbolic but also has real economic importance. Through a combination of favorable tax treatment of mortgage interest, generally increasing property values overtime, and a variety of other public policies economically favoring home ownership, the expectation has been created that a home is as much an investment as it is a place to live, yielding equity, leverage, inheritance, or retirement.

. . . asset reform, to be meaningful, needs to address the equally pressing question of how people with no assets can be assisted to acquire them in the first place.

As declining fringe benefits and shortening job tenure combine to erode the traditional expectations of paid employment, and as increasing life expectancy and declining pensions place new strains on retirement planning, asset accumulation will continue to grow in importance. Yet our nation has no coordinated strategy in place for promoting asset accumulation among those with the greatest need for it, and it has no mechanism for determining in what venues or under what jurisdiction the necessary planning and coordination should take place.

Asset Preservation versus Asset Accumulation
Strategies for increasing and protecting assets that already exist, such as tax and housing policies designed to increase the value of home equity, are key to the design of many provisions of numerous interconnected laws and were one

key pillar supporting the emergence of the post-World War II middle class. But thus far, the discussion of asset policy for the middle class and for transfer payment recipients has focused more on what may be called asset preservation than on asset creation.

Most recently, the issue has surfaced in discussions on how to keep senior citizens who need nursing home care through Medicaid from having to surrender their assets as a condition of eligibility.

While asset preservation is important, it is only one dimension of the problem, because

asset reform, to be meaningful, needs to address the equally pressing question of how people with no assets can be assisted to acquire them in the first place. Tax-based strategies, ranging from 401(k) retirement plans (Internal Revenue Code Section 401(k)) to education savings plans (IRC Sections 529-30) have contributed to asset preservation and growth. But by and large, all tax-based asset-related provisions aimed at individuals presuppose the existence of income that is sufficient to allow for some set-aside and to absorb the value of the tax deduction or deferral. A person with no income cannot easily save, and a person with no income tax liability would not benefit from the tax benefit as currently structured even if able to save. A taxpayer with no capital to buy a house or inadequate credit to obtain a mortgage cannot benefit from the tax deductibility of mortgage interest.

The same applies to a number of recent asset reform proposals dealing with immunizing senior citizens against the need for spend-down as a condition for receiving any long-term care services that might be available under the means-tested Medicaid program. If one doesn't have assets to protect, these initiatives will yield no benefit, and indeed it will be argued by some that in an era of declining resources for social programs, elimination of means-testing would leave less for people who have no means to protect.

Asset Reform and People with Disabilities

People with disabilities face barriers to asset accumulation that others do not. Any attempt to make asset accumulation a meaningful goal

in their lives requires an understanding of these obstacles, which are additive to the challenges faced as members of the general society.

The Costs of a Disability

Activity for activity, accomplishment for accomplishment, it is more expensive to be a person with a disability than to be a person without one. For the individuals who need an accessible vehicle in order to get around, who must use Braille to access a computer, who require the services of a sign-language interpreter, or who make use of the assistance of a job coach, day-to-day life entails expenses not faced by the general public. In civil rights law this is recognized by requirements for reasonable accommodations, but ongoing debate continues to swirl around allocation of the costs of accommodations. At the same time as they face these costs, people with disabilities are poorer than other Americans, as demonstrated by employment and income statistics from many sources (see National Council on Disability, 2008). This means that as they face additional costs in their pursuit of self-sufficiency, they do so from a less robust economic starting point than other people.

The Disincentivization Process

To see how individualized financial assistance and services models all too often work to perverse effect, it may be useful to examine the specifics of some of the key programs.

SSI

Supplemental Security Income (SSI) is the program of cash assistance to individuals with disabilities and senior citizens whose incomes and resources fall below specified levels. Income over the federal benefit rate (FBR), and earned

income of any kind over \$85 a month, will begin the process of reducing the federal payment. In general, SSI payments are reduced by \$1 for every \$2 of earned income, which means that an SSI recipient working for the minimum wage, currently scheduled to rise to \$7.25 an hour, would actually be earning only about \$3.63 an hour (before payroll taxes and other deductions) after the benefit reduction was assessed.

There are, to be sure, a number of ways in which earnings can be sheltered from this benefit reduction process. Use of earnings to pay impairment-related work expenses (IRWE's) and savings programs known as plans for achieving self-support (PASS) are the two best known work incentives for people with disabilities. These can be used to exclude or shelter income from "countability" for purposes of the SSI means test.

These and other techniques for excluding or sheltering income from countability are extremely complex. In the same way that no two accountants are likely to reach the same bottom line in computing an individual's tax return, so too with the calculation of income, benefit reduction, excludable amounts and other determinations under the SSI program.

When it comes to resources, as distinguished from income, the problem becomes particularly acute. One striking illustration of the pitfalls

can be glimpsed in the treatment of tax refunds received under the earned income tax credit (EITC) (IRC Section 32). These refunds are not counted in income for SSI purposes, but after nine months they become "countable resources."² Other provisions for tax credits such as the saver's credit also run the risk of creating countable resources unless quickly expended or saved in an approved account that is excluded from resource countability.

The resources (that is, the property and savings) that SSI recipients can own or accrue are strictly limited, both in amount and in type. Generally, the resource limitation is \$2,000 in liquid assets for individuals, meaning that for every dollar by which countable resources exceed that threshold amount, \$1 of the otherwise forthcoming SSI payment, determined by a new calculation *each month*, will be forfeited.

As with income, there are exceptions: some types of assets, depending on source or use, are exempt or excluded from countability, sometimes indefinitely and sometimes for specified periods of time, and often subject to detailed documentation and tracking requirements or to periodic renewals of authorization or status. In both the income and asset arenas, constant calculation and recalculation by the Social Security Administration (SSA) takes place.

... earnings can be sheltered from ... benefit reduction ... [but] ... techniques for excluding or sheltering income from countability are extremely complex.

² Title 20 Code of Federal Regulations Part 416 Section 1236.

Under these circumstances, the wonder may not be the small number of people who succeed in getting off the rolls. The wonder may be that any succeed in doing so at all.

Medicaid

As private health insurance has become less available and less affordable, the Medicaid program has become increasingly indispensable for many people with disabilities, including those with significant or chronic health conditions and those who simply are unwilling to risk the potentially devastating consequences of going without health coverage. There is surely little mystery why anyone, with or without a disability, would want and need the security of health insurance coverage, and everyone knows people who have remained at a job they disliked simply because of the unavailability of comparable coverage were they to leave it.

While varying among states, eligibility for Medicaid is generally linked to income and resources, sometimes via SSI eligibility, sometimes independently. Except where one of the programs or provisions allowing for continued health coverage applies,³ loss of SSI

cash benefits will ordinarily result in termination of Medicaid coverage as well. In about half the states, Medicaid buy-in programs exist.⁴ Under these initiatives, working persons with incomes that exceed the normal limit are allowed to retain their health coverage until income reaches

specified higher limits set by the state, typically 150-250% of the federal poverty level.

These Medicaid buy-in programs are an explicit recognition of the relative unavailability of private sector health insurance, including health insurance for new or returning labor market entrants with disabilities, and of the role of such insurance

in maintaining employment. The problem with the buy-in programs though is that they are always in flux, because they are funded by uncertain annual Federal and state budget appropriations and subject to changing fiscal conditions at state level. Unlike so-called straight Medicaid, they are in no sense an entitlement program. As states face budgetary strain in the current economic climate, buy-in programs, though more needed at such times, are likely to face curtailment.

The net result . . . is a system that financially penalizes employment, that discourages savings, that embroils recipients who seek to earn and save in numbing bureaucratic complexity, and that through the ever-present risk of an overpayment penalty makes owned resources tenuous and vulnerable.

³ Such exceptions include those provided under the Ticket to Work and Work Incentives Improvement Act, under Medicaid buy-in programs, and under several demonstrations operated by the Social Security Administration.

⁴ These were established under the Balanced Budget Act of 1997, but recent funding debates such as that in California reflect their fragility. See California Assembly Bill A.B. 1113 of 2007, and A.B. 852 of 2008.

Because of the role of state discretion in determining the nuts and bolts of each program, the income levels, definitions of “countable” income and resources, and nature of excludable work-related expenses may also vary, and, apart from such variation, are often difficult to ascertain, as they are often buried deep within little-publicized state agency regulations.

The disincentives problem surrounding Medicaid has received considerable public and legislative attention, but mostly from the perspective of resource limitations that require many senior citizens either to exhaust their financial resources or to enter into a “spend-down” agreement in order to qualify for the Medicaid assistance they need. Congress has recently been considering proposals that would ease asset limitations, even under some proposals completely eliminate them, in the case of senior citizens seeking Medicaid coverage. Such sweeping proposals are unlikely to be adopted, particularly in an era when growth of Medicaid spending has been identified as a long-term threat to budget stability. Nevertheless, such proposals dramatize a serious problem.

The Psychology of Disincentives

Anyone who has ever sat across the desk from an accountant, filling out a tax return, understands that temperament plays as large a

role in decisions about what deductions to claim as the law itself does. Some people will claim a tax benefit unless the law clearly states they cannot, while others will decline to do so unless the law unequivocally says that they can. This variation in temperament mediates almost every interaction with the law that we have.

Variations in temperament aside, the sheer complexity of the so-called work incentives may make their attempted use seem even riskier than is actually the case. The question of the impact of disincentives on savings behavior has

been a long-standing topic of controversy. A recent study, using statistical data, concluded that low-income persons in the Temporary Assistance for Needy Families program (TANF) are not deterred from saving by strict income and resource limitations and do not experience any disincentive to work as a result of these needs-based limits (Chen & Lerman,

2005). Another recent study, relying principally on interview data, reached the opposite conclusion (Parrish, 2005).

In order to believe that disincentives do not systematically affect the savings or working behavior of those subject to them, one must accept the premise that the psychological makeup of poor people is fundamentally different from that of members of the middle class or the wealthy. Most of our nation’s economic development policy in the supply-

In order to believe that disincentives do not systematically affect . . . savings or working behavior . . . one must accept the premise that the psychological makeup of poor people is fundamentally different . . .

side era has been based on the assumption that lowering tax rates will liberate capital and, just as important, will create much greater incentives for people to work and invest. Social policy too has been profoundly influenced by the notion that economic carrots and sticks, principally but not exclusively tax-based, can influence behavior as much or more than legal mandates, even in personal matters.

It has become an article of faith, serving almost as an admissions ticket to all contemporary policy debates, that economic incentives and disincentives through tax policy and otherwise are not merely one way, but the most effective way, of influencing all manner of economic, social and personal decision making and behavior.

If anyone were to suggest that across-the-board tax cuts, of the sort adopted in 2001 and 2003, needed to be justified by empirical studies showing their effects on decision making, the author of such a suggestion would be laughed out of the current political dialogue. Even the most stalwart opponents of tax cuts do not question their presumptive effects; they argue instead that the cost in social programs and other needed expenditure is simply too high, or the unfairness too extreme.

Yet, as the price for coupling powerful disincentives with the rhetoric of work, we are asked to believe that such disincentives as the loss of health insurance or the loss of other irreplaceable benefits worth more in practical terms than the income triggering their loss has little or no effect on the savings or working behavior of people who are poor or of people with disabilities.

The implied premise of the current system, that disincentives have no material effect on motivation or behavior, that the psychological makeup of benefits recipients is therefore different from that of would-be entrepreneurs, has one self-fulfilling advantage. If people with disabilities fail to leave the benefit rolls in large numbers, it cannot be because the system traps and discourages them. It must be because they have not imbibed the elixir of upward mobility that defines American aspirations for everyone else. And to complete the circle, how, after all, can people whose motivational structure and decision making are so different be expected to migrate to the middle class?

One impact of the disincentives seems especially lacking in research attention or understanding. That is the impact of perceived risk, as opposed to objective actual risk, on behavior. It is not enough to categorize or quantify the actual effect; it is necessary to assess the perceived or shadow effect as well.

With the anti-disincentives that exist today, it is certainly not impossible for some individuals to stitch together strategies that allow them to earn and save at least some money without falling afoul of punitive program rules. Nor would anyone suggest that a substantial proportion of benefits recipients have maximized their savings opportunities under current law. The explanation for this likely underutilization or underachievement may lie in people's perception that any attempt to save is fraught with risk, and in their overestimation of both the probability and severity of consequences that may result from efforts to improve one's lot.

The Practical Problem

Current Strategies

Although we have ample evidence that the work and savings disincentive problem in transfer payment programs is widely recognized, we have also had occasion to ask why such recognition has not led to more systematic reform efforts. Typical of the reform efforts that seem to be receiving major consideration now is inclusion in the recent Farm Bill of provisions that loosen the resource eligibility criteria for participation in the food stamp program, particularly in relation to the resource countability of retirement accounts and to indexation (Food, Conservation and Energy Act of 2008). Other currently discussed strategies include the expansion of individual development accounts (IDAs) and recent proposals for the establishment of seed accounts for newborns.⁵ Another approach, often used in conjunction with IDAs, seeks to leverage individuals' savings from employment by providing enriched levels of matching funds.

Each of these approaches has merit and all should be researched and encouraged, but none gets to the basic problem. Each of them simply modifies the asset limitations by raising thresholds or by creating new sheltered accounts or earnings categories. None does away with the costs, burdens or insecurities of program administration that monitors people's income and resources as a condition for continued eligibility. None leaves people free of the worry of benefit curtailment in planning and organizing their lives, and in fact in some cases, the most

lasting and immediate impact is to create more complexity. Instead of removing the problem, these strategies create a moving target.

Just as the impact of disincentives on decision making is predictable, so the failure of our current anti-disincentives to have major positive effects should come as no surprise.

When Economics, Politics and Psychology Meet

Earlier we posed the question of why concerted efforts to address the disincentives problem have not gained traction. Three factors seem notable in this connection.

First, the economic harm and systemic costs of means-testing are not well understood, even when the consequences in individual cases are recognized. Given the costs society will bear from long-term dependency and from the small number of persons leaving the benefit rolls, the burden of proof should logically be upon those who argue for continuation of the current system and who oppose broad-based asset limit reform. After all, they are committing the country to these long-term costs with no serious alternative for humanely containing their growth. But instead, it seems that in the political sphere the burden of proof lies with those who advocate elimination of means testing, even if only experimentally in small-scale, time-limited demonstration projects. The risk that one penny might go to someone deemed undeserving seems to outweigh the potential of enormous savings to the taxpayer.

⁵ For example, in the 110th Congress, H.R.1514/S.871, H.R.2370/S.2741 and S.2743, and H.R.3696.

There is good reason to believe that elimination of asset and earnings tests would yield over the course of the next generation economic benefits to the nation that dwarf any gains that might accrue from, say, the run-of-the-mill proposed tax cut or program expenditure reduction. With elimination of means-testing, and with judicious use of matched savings, tax policy, infrastructure investment such as in Medicaid buy-in programs, culturally appropriate and accessible financial literacy education, and related measures, the number of people who would be willing and who would become able to leave the benefit rolls after five to ten years should be sufficient to more than offset the costs to the public of continuing their benefits for that period of time.

Like any prospective research, time will be required to verify that the underlying hypothesis is correct, and new conditions emerging during the study period can never be anticipated or controlled for. But in view of the balance between the tiny costs involved and the potentially enormous benefits that may be reaped, what argument can the proponents of the status quo employ against taking what is at worst a small risk?

The answer to this question brings us to the second factor explaining why broad-based asset reform has gained so little momentum. Rather than focusing on the enormous potential savings, proponents of the status quo prefer to

concentrate instead on the potential costs. They appear to systematically overestimate these costs, partly because many believe that if benefits were more readily available, countless numbers of people, including people who do not “need” them, would flock to obtain them. No empirical evidence has been found to support this fear. In fact, a study of one state that removed means-testing oversight in its TANF program found no increase in benefit costs and decreased administrative costs as a result (Golden, 2005).

. . . proponents of the status quo prefer to concentrate . . . on the potential costs. . . . benefits . . . more readily available . . .

But political figures who must run for office understand only too well how vulnerable they would be if associated with efforts to eliminate means-testing in benefit programs, and how

vulnerable they would be to the demagoguery that might be brought to bear in exploiting such efforts. So it is that politics, economics and psychology intertwine to prevent change.

The third factor in explaining the lack of progress in asset reform is the absence of any consensus notion on how such reform should be carried out. Until and unless key design questions are addressed and answered, the logistics of even modest experimentation may cause some well-disposed people to remain overly cautious.

Technical Issues and Policy Decisions

Any attempt to move toward asset reform must proceed by a succession of small, incremental steps.

The Role of Assets

First, it must be decided that the predominant goal of asset reform is to empower recipients to reduce or eliminate their dependency within predictable periods of time, while maintaining safety-net protections for those who cannot. The asset reform effort must be designed to maximize the opportunities for beneficiaries to reach their maximum potential, but must also be designed with great care to ensure that those who cannot achieve independence will not suffer, either in formal terms or through the stigma of being adversely compared to those who can.

People with disabilities, given the chance, have exactly the same human and economic potential as their nondisabled peers. It follows, then, that with carefully designed support services (including financial education, enforcement of civil rights laws, sustained attitudinal education and change, and most of all the opportunity to earn and save free of punishment or fear), the unemployment statistics and the asset-ownership data for Americans with disabilities will look a great deal different in a generation than they do today, and a great deal more like the data for other Americans. It may well be that stagnating wages and falling worker median incomes foreshadow a bleaker future and a declining standard of living for many working Americans. If so, workers with disabilities will share that fate, but at least they

should be able to do so with equality.

Most current asset reform proposals, such as those bearing upon elimination of spend-down for senior citizens under Medicaid, presuppose that Medicaid and the individual's own resources will be combined. This combination approach may well be appropriate for many senior citizens facing costs that could not have been anticipated through prudent purchase of long-term-care insurance. To the extent that insurance has not been widely available to defray nonmedical care costs, the argument in favor of indefinite public support can credibly be made.

With younger people, indefinite perpetuation of benefits cannot be the goal. Rather, the object must be to use benefits in combination with other resources and well-designed supports to enable people to establish themselves in secure and appropriate employment and to gain the entry-level assets of retirement savings, private health insurance and home

The asset reform effort must be designed to maximize the opportunities for beneficiaries to reach their maximum potential . . .

ownership that will place them firmly on the path to self-sufficiency for the long term. To do this, benefits need not and should not continue indefinitely, but limits on asset accumulation and earnings must be totally eliminated for a period long enough to allow people to achieve the desired first rung on the ladder.

If for example SSI recipients were allowed to work under a safe harbor for ten years, during which their benefits would not be reduced on account of earnings or savings, it is realistic to

suppose that a significantly increased number of people would be able to achieve a degree of self-sufficiency that reasonably assures they would not need to return to the benefit rolls for the remainder of their lives. They would of course participate in SSA's old-age and survivors insurance program and in whatever arrangements our country makes for all senior citizens, but disability-specific benefits could be foregone. This likelihood would be enhanced if intensive, culturally sensitive (including in regard to people with intellectual disabilities) financial literacy and education were made compulsory as a condition for participation in the proposed safe harbor demonstration.

Some definition of self-sufficiency would of course have to be developed for determining after the ten-year period whether self-sufficiency had been achieved. Many approaches to such a definition are possible, but it is beyond the scope of this paper to select one. Let it merely be said that median income and median asset figures, together with data on earnings potential, all of which would be readily available, represent a highly suitable source for these determinations.

Establishing the Program

In our federal system the mechanics of setting up the demonstrations are daunting. From the fiscal standpoint, since the size and scope of the demonstrations would initially be limited, the budgetary risks would be minimal, and programs would only grow as data emerged to validate their effectiveness. Given the tragically small number of people with disabilities who leave the benefit rolls today, it is highly likely that guaranteeing benefits for ten years, while

continuing to assist in gaining stable employment or self-employment and to save and accrue assets, will cost the taxpayers little. Though it means keeping a few people on the rolls who might otherwise have ceased receiving benefits or coverage during the safe harbor period, those costs will be more than offset by the increased number of people enabled to leave the benefit rolls under the auspices of the program.

Gathering Data and Building Consensus

Because the proposals made here may seem so novel, it is important to stress the existence and methods for obtaining relevant actuarial, demographic and legal data. The Government Accountability Office (GAO), the Office of Management and Budget (OMB), the Congressional Budget Office (CBO) and the Congressional Research Service (CRS) should be asked, with the help of organizations representing people with disabilities and of individuals with expertise and knowledge about people with disabilities and about benefits systems and labor market data, to collect and synthesize relevant data. But the initiation of small demonstration projects need not await the completion of this data collection process.

The Demonstrations

The goal is to develop a mechanism whereby a fixed number of SSI, Medicaid, Social Security Disability Insurance (SSDI) and SSDI-linked Medicare recipients who agree to participate in appropriate financial literacy programs, will be guaranteed freedom from any involuntary reduction in benefits, cash or in-kind, or from any other adverse consequences as a result of any earnings or resources they receive or accrue

during a ten-year period of time. They must also agree to be carefully followed, not as monitoring or for compliance review but in order that their experience may be better understood and the lessons of the demonstration fully elucidated. Recipients should also receive guarantees that if by the end of the ten-year demonstration period they have not achieved self-sufficiency (and in particular not obtained private health insurance comparable to the coverage then available through Medicaid or Medicare), the resources they have managed to accrue in savings or tangible assets during the ten years will not be subjected to spend-down and will not in any way be held against them in future benefit computations.

To ensure that the selection process is targeted and challenging, participation should initially be limited to non-employed people with significant disabilities who have been recipients for at least one year. Participants should also be expected to pledge that if they achieve incomes and resources higher than the median incomes for people of their age in their state or region, and if they have established secure employment (employment that provides a full array of fringe benefits, including retirement savings, health insurance, disability and life insurance, cafeteria plans, paid vacation and other benefits normally expected in mainstream or primary sector jobs), they will voluntarily relinquish their social benefits short of the ten-year safe harbor expiration date. In return they should be given a pledge of immediate restoration of such benefits if, during any remaining portion of the ten-year period, their economic circumstances undergo

adverse change due to worsening of health, loss of job or other non-volitional circumstances.

Additional Administrative Issues

Interagency coordination among federal agencies may be a greater challenge than program design. To be successful, a demonstration of the sort proposed here would require the cooperation of SSA, the Centers for Medicare and Medicaid Services (CMS), the Office of Special Education and Rehabilitative Services (OSERS), the Office of Disability Employment Policy (ODEP) and the IRS. Some agencies will have administrative roles, some will be obliged to make binding commitments, and others will be called upon primarily for research and data.

Although we believe that the SSA and CMS have statutory authority to establish the demonstrations with respect to the programs they administer, it is not clear that all the pieces of the puzzle can be put in place by executive branch or administrative agency action. Nor would mere authority to act be enough in the absence of the leadership and coordination necessary to prioritize program goals. With respect to programs and agencies on the periphery of the demonstrations, legislation will be necessary ensure that programs providing housing or food assistance do not treat increased income or savings as allowing or requiring benefit reduction.

The advocacy that may be required to bring these demonstrations about, as well as the technical intricacies, should not be underestimated. But precisely on this account, and because time may be shorter than we know, the effort must begin and be pursued

vigorously. That said, it should never become an obstacle to other reform efforts.

The legislation establishing the demonstration should contain an extensive Findings and Purposes section making clear the intent of the program and clearly indicating awareness of the risks of intentional or

accidental bureaucratic undermining of its goals. It should categorically state that no benefit paid in whole or in part with funds provided from federal program sources can be reduced or eliminated by reason of the income or assets accruing from participation in the demonstration.

Conclusion

Disability policies in this country need to be aligned with the values inherent in advancing self-sufficiency: freedom, independence, and individual choice. As the population ages and disability and old age converge, the numbers are only going to grow more staggering, the issues more daunting, the choices more uncomfortable. Only bold new thinking, aimed at substituting assets for subsistence, offers any meaningful long-term hope of escape from our emerging dilemma. The proposals offered here are presented as much to stimulate discussion as for any other purpose. They are not written in stone, but are intended as a guide to some of the opportunities that lie before us, and some of the barriers we face, if the impoverishment of our nation, the proliferation of needless social conflict, and the needless waste of irreplaceable human potential are to be avoided.

The current financial crisis that is transforming the role of government related to financial institutions, financial markets, and individual taxpayers provides an extraordinary environment to rethink and reform disability policy. The recent bipartisan passage of the ADA Amendments Act strengthens the civil rights protections for individuals with disabilities nationwide. There is no better time to embrace the urgent complimentary need for tax and social policy reform that supports economic empowerment over income maintenance and subsistence.

Works Cited

Chen, H., and R.I. Lerman. (2005). *Do Asset Limits in Social Programs Affect the Accumulation of Wealth?* Washington, D.C.: Urban Institute.

Food, Conservation and Energy Act of 2008, Pub. L. No. 110-234, §§ 4103-4104 (2008)

Golden, Mark. (2005). Asset Policy in Virginia. *Center for Social Development State Policy Conference*. St. Louis, MO: April 21. Available at <http://gwbweb.wustl.edu/csd/Policy/conf2005/Golden.pdf>.

Internal Revenue Code, § 32, § 401(k) and §§ 529-30.

National Council on Disability. (2008). *Keeping Track: National Disability Status and Program Performance Indicators*. Washington, D.C.: NCD. Available at http://www.ncd.gov/newsroom/publications/2008/Indicators_Report.html and http://www.ncd.gov/newsroom/publications/2008/pdf/Indicators_Report.pdf.

Parrish, L. (2005). *To Save or Not to Save: Reforming Asset Limits in Public Assistance Program to Encourage Low-Income Americans to Save and Build Assets*. Washington, D.C.: New America Foundation.

Social Security Act Title II, 42 U.S.C. § 423 et seq.

Social Security Act Title XVI, 42 U.S.C. § 1382 et seq.

EVERYDAY HEROES: How Taxpayers with Significant Disabilities are Building Assets

by Tobey Partch-Davies and Jolan Rivera

Summary

This paper provides preliminary results of exploratory, ground-breaking research into the impacts of a range of financial planning, work incentive and benefits counseling, and asset-building programs on the financial wellbeing of working individuals with disabilities. The study finds that braided application of such supports does improve outcomes to some extent. But people living close to the threshold of poverty still face obstacles and a great deal of stress in managing their financial affairs to satisfy their needs and the requirements of program participation.

Overview

Ideological and structural factors within both the market system and the welfare state have impeded the extent to which individuals with disabilities achieve economic progress.

Historically, public policy has stood in the way of real income gains and resource accumulation by individuals with disabilities due to eligibility disqualification from essential health care and public safety net programs. Recent changes in public policy enable an expanded set of options with the aim to reward employment. State-sponsored health insurance programs offer Medicaid Buy-in provisions which allow individuals to earn and save substantially more than previously before. Technical assistance is available to counsel people returning to work on work incentive programs. But a whole set of other inputs, including Family Self Sufficiency programs, Individual Development Accounts,

free tax preparation services, and more, are not integrated in day-to-day programmatic infrastructure. Do people make use of these programs? What added value do these services bring to bear? Little is known about how these programs are used and what effect they have when offered in combination.

This article will provide an overview of the preliminary results of the Voluntary Income Tax Assistance & Financial Education Study piloted between January 2006 and August 31, 2008 as part of the Asset Accumulation and Tax Policy Project, a project funded by the National Disability Institute on Rehabilitation Research (NIDRR). The objective of this study was to explore the impact and the utility of a set of inputs on the financial wellbeing of study participants. A second objective was to heighten our understanding of the range of policy and

practical considerations that facilitate or otherwise obstruct economic progress for this population and must be taken into account for future empirical research.

Sen (1999) refers to market appropriations including skills, knowledge, and labor, as well as financial capital, including property, equipment and money as “capabilities” and substantive freedoms that explain social advantage in the market and are necessary for individuals to achieve or have the opportunity to achieve. Because some citizens have fewer “capabilities” in the form of human capital and financial resources, in Sen’s view these individuals are not free from social inequality. Markets typically work to expand income and wealth opportunity; therefore, denial of these capabilities restrains expansion of substantive freedoms. (Lindblom, 2001) (Sen, 1999) Hence, poverty is not explained merely by inadequate income, but also by capability deprivation that must be reversed as both the process and product of development. (Sen, 1999)

Community economic development (CED) strategies reverse the effects of social inequality on people and places historically overlooked by other social, civic, and economic programs and trickle-down economics. (Dubb, 2005) (Simon, 2001) People with disabilities, however, are new entrants in this infrastructure with unique social and programmatic considerations that must be taken into account at the individual and systems levels of practice. What might otherwise be

This inaugural exploratory research and its associated research model applied a CED paradigm to offer customized financial coaching that improved financial self-sufficiency outcomes for individuals with disabilities.

construed as an individualized and income-only solution through the traditional rehabilitation lens necessitates a more pragmatic appreciation of poverty, autonomy-compatible assistance, and sensitivity to other structural influences that may

impede or facilitate social progress. (Davies & Malloy, 2007) (Davies, 2006) (Silverstein, 2000)

A comprehensive theory of change is necessary to address the problem of persistent poverty and benefit dependency among people with disabilities. This inaugural exploratory research and its associated research model applied a CED paradigm to offer customized

financial coaching that improved financial self-sufficiency outcomes for individuals with disabilities.

The model included critical components of the employment development process with a variety of braided inputs designed to increase financial self-sufficiency and social participation. Essential financial coaching components included: Social Security and Medicaid Work Incentives, household budgeting/saving, credit management, asset development, and tax credit use. ***Currently each of these financial counseling inputs is available in local communities. However, in most cases they operate in isolation and are targeted to distinct populations.*** Findings from this research indicate that braiding these services results in improvements in knowledge, skills, and behavior in: (1) credit standing, (2) increases in liquid and restricted

savings for asset building, (3) household budgeting behavior, and (4) use of tax credits. However, these results are limited due to selection and social desirability biases associated with the self-reporting nature of the data. While we know that many of the individuals who participated in this first generation of research improved financial wellbeing (thus, there is a relation between their participation and their outcome), we were not able to infer a causal link between their participation and outcomes (e.g., self-selection may have meant that those who chose to participate were more likely to be successful). This is acceptable (indeed, standard) for a first generation of research to explore correlations. Importantly, the next generation of research to begin in November 2008 will use the present model with experimentally designed controls and will include random assignment to treatment groups to ensure needed controls for alternative explanatory factors.

Previous Research Confirms Benefit of Linking Asset Strategies to Employment

Based on the literature and the findings of this inaugural research, available incentives and asset-building provisions, when maximized in combination and effectively linked with employment, make financial self-sufficiency economically feasible for individuals with disabilities. A group of working individuals with significant disabilities received comprehensive, customized financial coaching that included core constructs and specialized coaching/service in the following five areas: (1) work incentives counseling, (2) credit counseling, (3) household savings/spending counseling, (4) asset development counseling, and (5) tax preparation services.

Customized financial coaching does work; for example, Social Security and Medicaid work incentives counseling is a demonstrated evidence-based practice resulting in significant increases in the mean earnings for SSA recipients. (Tremblay, Smith, Xie, & Drake, 2004) (Tremblay, Smith, Xie, & Drake, 2006) Similarly, household budgeting and credit counseling assistance also result in positive financial behavior change when effectively targeted. (Elliehausen, Lundquist, & Staten, 2003) (Xiao, O'Neill, Prochaska, Kerbel, Brennan, & Bristow, 2001) (Xiao & Wu, 2006) Specifically, the "Transtheoretical Model of Change" has been applied to credit management behavior and found to be efficacious for identifying motivational and opportunity stages for individual credit improvement action. (Xiao, O'Neill, Prochaska, Kerbel, Brennan, & Bristow, 2001) (Xiao & Wu, 2006) Budgeting is an important component for establishing coping mechanisms necessary to achieve liquid savings for overall financial stability and for greater levels of social participation (e.g., car ownership, assistive technology), as well as for maximizing existing provisions, such as Employability Accounts within Medicaid Buy-in programs. Individual asset-building provisions, including but not limited to IDAs, are another set of successful strategies that result in positive social and economic outcomes. (Sherraden, et al., 2000) Research conducted with the New Hampshire and Wisconsin LIFE Account project for children and adults with disabilities, who direct their own Medicaid-funded long-term supports, indicates savings is highly desirable among self-directing consumers for the purpose of improving community participation and

personal autonomy. (Davies, forthcoming) Finally, tax provisions, including the EITC and others, have proven to be an effective work incentive strategy. (Ball, Morris, Hartnett, & Blanck, 2006) (Hartnett, 2007) (Hartnett, Mendelsohn, & Morris, 2008)

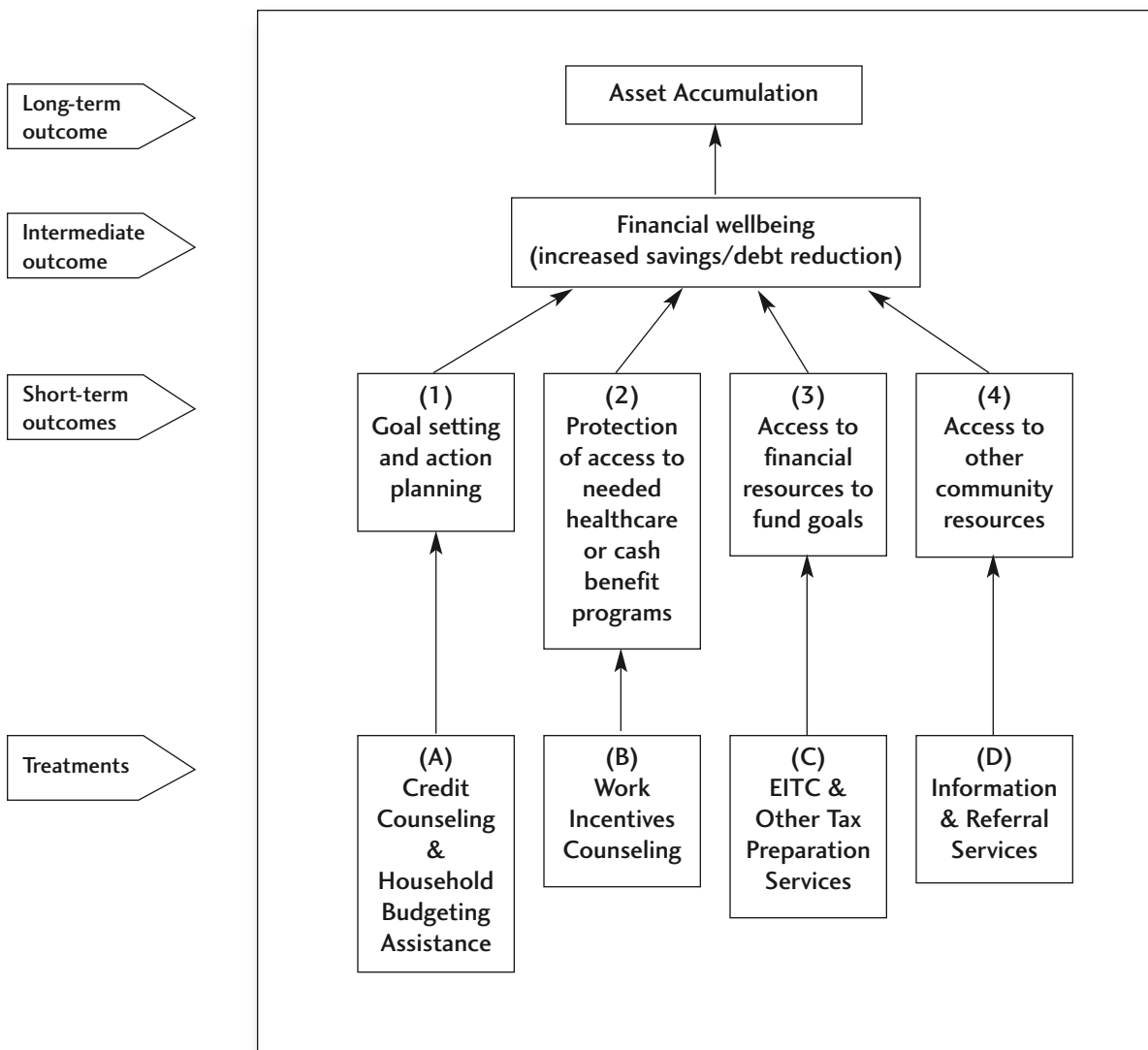
Description of Research Design

Given the formative stage of research, this study by design is exploratory and involved both quantitative and qualitative methods. To enroll in the study, participants had to be competent adults of working age and have worked within twelve months of the intake time. Participants self-selected by way of informed consent and the completion of an intake survey. Once enrolled, participants were offered a series of services, including: 1) free tax preparation services from a participating Volunteer Income Tax Assistance or AARP program, 2) credit counseling and

household budgeting assistance, 3) work incentives counseling, and 4) information and referral services the nature of which varied depending on the needs or wants presented by participants (i.e. Individual Development Accounts, housing resources, etc.). Follow-up surveys were scheduled at six-month intervals to measure change.

The anticipated outcomes for participants in this study included increases in knowledge and skills in the areas of tax credits, credit management and household budgeting, work incentives and community resources; as well as changes in behavior in the use of each core construct to facilitate changes in financial condition. This paper is intended to provide the reader with an overview of preliminary findings from this study. The full research paper will be published January 2009.

Conceptual Framework



Description of Research Participants

Forty-six participants with a documented disability who worked within the 12 months previous to enrollment consented to participate in this study. Data from thirty-nine of these individuals is included in this report. Data for those who did not access a minimum of one of the available services were not included.

At the time of intake, the average age of study participants was 42. Twenty-three participants are male, 16 are female. About half of study

participants (20, or 51%) have mental illness, including severe depression, bi-polar disorder, and schizophrenia; five (13%) have mobility disabilities, including quadriplegia, cerebral palsy, and partial paralysis; four (10%) have developmental disabilities, including Autism, Pervasive Developmental Disorder, Moderate Mental Retardation, and severe Attention Deficit Disorder; two (5%) have speech disabilities; and eight (21%) have other disabilities. Over half (21) of all study participants are single and never

married. The majority of the subjects (23) live alone, and eleven participants have dependent children in the household. Twenty-six (68%) of participants have at least a high school education. Thirty-one (79%) of the participants were employed at least part-time. The majority of those working are diagnosed with mental illness. Most of those employed worked between 11 and 20 hours a week with a mean wage of \$6.75 an hour.

This paper explores the relationship between disability status and financial wellbeing. We asked 1) What are the major factors motivating project participation? 2) Does financial status change over time? 3) What are the obstacles associated with economic progress for these individuals?

Questions Asked to Participants

Desired outcomes

The most frequent desired outcome, reported by nine study participants, was the desire to have greater financial independence and the ability to manage resources independent from the system. The second most frequently cited desires, expressed by six study participants each, were a) the ability to pay bills on a consistent basis, and b) the desire to accumulate assets. The third most frequently cited desired outcome was to gain knowledge about other financial resources available for help (e.g. EITC, work incentives counseling, housing assistance, etc.).

The most frequent desired outcome . . . was the desire to have greater financial independence and the ability to manage resources independent from the system.

Major life events

A total of twenty-four participants reported a major life event during study participation. People with mental illness were the most likely to experience a major life event. The most frequent type of event was family crisis (experienced by 11 participants), followed by job change (five participants). Some participants changed jobs on multiple occasions. Other events included flood, homelessness, death of a spouse, diagnosis of breast cancer, state hospitalization, denial of Social Security Disability Income, physical and geographical separation of immediate family members, substance abuse relapse, marriage, and reported financial exploitation resolved by the proper authorities.

Services

Free tax preparation

Knowledge about existing tax credits and use of free tax filing services was mixed at intake and at the final follow-up. At intake, study participants reported a variety of sources for tax filing assistance, including self (online or by paper), friends or family, paid preparers, VITA programs, AARP, and the Internal Revenue Service. Four (10%) reported not filing at all. Ten study participants used an existing VITA or AARP free tax preparation service at intake, but this number increased to sixteen at the final follow-up. At least two participants sought paid preparers during study participation due to complicated returns associated with a small

business and probate and life insurance settlements. The reason given by most participants who selected the free tax service following participation was the cost savings.

Credit counseling: contribution toward saving and debt reduction

Other than free tax filing assistance, consumer credit counseling was the most frequently accessed service, used by twenty-four participants (out of 28 completing the last follow-up questionnaire). Consumer credit counseling included a discussion about household income, household spending, consumer credit, and prioritizing spending. Some participants requested their credit reports from the three main credit bureaus for analysis by the credit counselor. Others wanted only to obtain feedback on their immediate needs and professional advice on how to deal with the situation at hand. Credit counseling typically involved a minimum of a two-hour meeting and involved as much as twenty-five hours of assistance, depending on the situation. Nine participants accessed consumer credit counseling once. Five participants accessed credit counseling twice, and ten participants accessed credit counseling three times. Four participants did not access consumer credit counseling at all, three of whom reported no change in savings status, and one of whom reported an increase in savings of between \$1 and \$1,000 at the last follow-up.

Of those who increased savings, the participants who accessed the credit counseling service three times during study participation increased savings more than the other participants.

Of the individuals who accessed consumer credit counseling at some point during their participation, the number of those who increased savings and those who decreased savings was nearly equal (nine and ten, respectively). Of those who increased savings, the participants who accessed the credit counseling service three times during study participation increased savings

more than the other participants. One participant who accessed counseling three times increased savings between \$1 and \$1,000, and three increased savings between \$1001 and \$5,000. Two of the three individuals who increased savings in excess of \$1,000 had Individual Development Accounts, as did the saver between \$1 and \$1000. The fifth saver who accessed

credit counseling three times, and had more than \$5,000 in savings, received a life insurance settlement as a result of her husband's unfortunate death during study participation. Of the individuals who decreased their savings, most individuals (seven) decreased savings between \$1 and \$1,000. The most common uses for savings went toward car repairs, out-of-pocket medical expenses, and living expenses. At least one participant decreased her savings to purchase a car, which was consistent with her financial goals.

Fourteen of the twenty participants who accessed consumer credit counseling services reported a change in consumer debt. One participant reported no change in consumer debt; four reported an increase in debt, and nine

reported a decrease in debt. Of those who reported an increase in debt, at least one participant qualified for an auto loan, one participant qualified for student loans, and one person was state hospitalized which resulted in late fees compounding debt further. The fourth person reported an increase in personal loans owed to family and friends for needed car repairs. Maintenance of consistent loan payments and tax refunds were reported as the main vehicles for paying for loans.

Work incentives

A total of nineteen participants accessed work incentives counseling during the study period on programs offered through the Social Security Administration and Medicaid. Four study participants use the Ticket to Work Program, and assigned their Tickets to Vocational Rehabilitation. Two of the four participants were referred to the study by their Vocational Rehabilitation counselor after they assigned their Ticket due to the belief that the services would assist with goal attainment. Two participants are planning a business and have enrolled in the Individual Development Account program. Two participants matriculated in graduate studies, and actively save in the Individual Development Account program. In addition to the IDA, one participant has a Plan for Achieving Self Support (PASS), and one individual has accumulated savings in the Family Self Sufficiency Program.

Study participants reported that they depend primarily on health insurance provisions made available by Medicaid and Medicare. The majority of participants at intake (18) reported eligibility for both Medicaid and Medicare.

Qualification for Medicaid was almost equally divided between the Medicaid Buy-in program (nine participants), the Medicaid In and Out program (eight participants), and the Supplemental Security Income definition of eligibility (nine participants). Most participants qualifying under the SSI definition maintained constant eligibility for the program throughout the study duration. The exception was an individual inaccurately placed in the Buy-in program who changed her status to category 1619b as a result of high earnings that disqualified her from SSI cash benefits. This change maintained her link to SSI, which was determined necessary due to extraordinary circumstances that were causing her health to deteriorate significantly.

Participation levels for the Buy-in program and the Medicaid In & Out program were highly variable due to changes in employment status for the population of individuals with mental illness. When participants were actively working, they accessed the Buy-in program in order to avoid spend-down requirements and take part in the savings provisions allowed by the program. When unemployed, participants had six months to obtain employment before their Medicaid status changed to the In and Out program, requiring higher out-of-pocket expenses for medical and therapeutic services before qualifying for Medicaid each month. Participants reported that the Buy-in program was an important vehicle for diverting resources that would otherwise go to meeting medical expenses toward goals important to longer-term financial independence.

Planned use of tax refund dollars

Study participants were asked how they planned to use tax refund dollars if they were to receive a refund. Several participants had more than one use for tax refund dollars. At intake, the top three planned uses among participants indicated the following priorities: 1) bills (cited by 15 participants), 2) shopping for basic household supplies (school supplies, shoes, etc.) (cited by ten), 3) back debts and emergency/rainy day fund (cited by eight participants each). Only a minority of participants indicated that they would use the funds toward asset accumulation. One participant indicated that she would save toward a home, and two participants indicated they would save toward college, anticipating that it would be matched by the Individual

Development Account. At the final follow-up, the top three planned uses indicated among participants included the following priorities: 1) bills (cited by ten), 2) shopping for basic household supplies (cited by five), and home improvement needs (cited by five). The next highest priority for tax refund spending was equally divided among the following categories, each cited three times: groceries, back debts, vacation, emergency/rainy day fund, and business development (with an IDA match).

The results of these changes indicated that study participants have basic needs and existing financial obligations that must be met prior to

having the capacity to divert resources toward saving or asset accumulation, despite the desire to do so.

How does financial status change over time?

Sources of Income

Like many people with significant disabilities, participants in this project survive on a combination of earned and unearned income. The average earned wage for participants at intake was \$8.85 an hour (counting 24 participants) with a majority of participants working between 11 and 20 hours a week. At follow-up, mean wages were \$9.98 (counting 17 participants) with a majority of individuals still working between 11 and 20 hours a week.

Twenty-eight participants (72%) qualified for

unearned income of some kind at the time of intake; twenty-one (54%) qualified for Social Security Disability Insurance. Four (10%) were receiving Supplemental Security Income, and two (5%) Food Stamps. At follow-up, three (11%) were receiving other unearned income (alimony, annuity, child support, or SSI state supplement). Few changes occurred to personal benefits

during enrollment. For those changes that did occur, results were mixed. Two participants married, which decreased the overall household incomes in each of their households because of the marriage penalty in SSI and SSDI programs. One individual, who at the time of intake only

... study participants have basic needs and existing financial obligations that must be met prior to having the capacity to divert resources toward saving or asset accumulation, despite the desire to do so.

qualified for SSDI, wrote a PASS plan that was approved and qualified him for SSI. This arrangement allowed the benefit of sheltering earned income and SSDI payments in escrow for his Plan for Achieving Self Support, but required him to live on the funds provided by SSI, thus lowering his standard of living. Note that twelve individuals did not complete the third survey and have missing values, so the percentages at follow-up are out of a total of 27 responses.

Financial Services and Money Management

Most participants (29) use personal checking accounts and debit cards for their financial transactions, followed by personal savings accounts (used by 19 participants). Those without a checking or savings account are most likely to have representative payees (family, friends, or qualified organizations responsible for receiving payments, used by eight participants). Eighteen (46%) of those enrolled indicated that a significant other assists them with managing their money. The most common source of support comes from parents, followed by representative payees. The type of support includes temporary cash assistance for unanticipated expenses, such as emergency car repairs; rationing pre-paid gift cards for monthly spending; and holding a minimum amount of personal savings in case of a financial emergency or to help deter spending temptations. A love-hate theme was present among those who received support from their parents: participants

A love-hate theme was present among those who received support from their parents: participants frequently reported that they are thankful for the help in some ways, but they dislike the adult-child role.

frequently reported that they are thankful for the help in some ways, but they dislike the adult-child role. *I used to give rides to my neighbor just to get \$5.00 for gas money so I could spend it the way I wanted to instead of having to account for every penny to my [parents]. I know I'm not good at counting money and making change, but I earn*

my money and pay for my bills. I want to be independent so I don't have to answer to them all the time. Having recently filed for bankruptcy and tracked every expense for 350 days since then as advised in post-bankruptcy training, Jim is frustrated that he has to earn his parents' trust: When I'm depressed I try really hard to nip it in the bud and make

myself feel better, so I'll buy myself a nice sandwich once in a while. I do it to avoid getting really depressed—it's really bad when that happens. I've really tried hard to control my spending, and I'm doing great, but it's hard. I just had to "sit down" with my mom last night, and then my dad came in and said "go ahead [Jim] and just take all the money—spend it all."

People with representative payees were less likely to know the specific amount of money they receive from personal benefit programs, or whether they received tax refunds. Although participants are confident that their bills are paid from the funds deposited on their behalf, they don't report receiving any sort of statement indicating the financial transactions made on their behalf, or awareness about the amount of

money held in their accounts. Unless they ask, they don't know.

Six of the eight individuals with representative payees indicated a desire to learn how to manage their own money so that they would no longer be required to have one. Although there were no changes in representative payee status, other positive changes occurred for these participants. Two individuals with intellectual disabilities established Individual Development Accounts. This enabled them to have their own accounts independent from their representative payees and a greater sense of personal autonomy. Even though they report the amount to their representative payee, deposits are made in a regular financial institution and they receive bank statements for all of their transactions. One person exceeded the personal match requirement (\$1,000 personal match) within a year and a half for the purpose of small business development. Due to the need for customized services to support the small business concept, this same individual was successful in arranging for self-directed Medicaid supports to help nurture the small business. The other participant is using the IDA toward tuition at a local trade school and to increase the utility of his Earned Income Tax Credit which is matched up to \$500 in the IDA. Another participant advocated to have her representative payee changed from her parent/guardian to a private non-profit, to ensure that her living expenses would be paid on time and in full. All participants increased their awareness about the Earned Income Tax Credit and free tax filing services available, including five participants with representative payees who had never received the EITC before, despite having qualified.

Savings

There was wide variation in participants' savings rates. Women were more likely to report savings than men. Savers were most likely to be employed and qualify for the Earned Income Tax Credit. The most successful savers had two or three types of savings, and they also accessed consumer credit counseling services and work incentives expertise.

Types of savings vehicles measured included bonds, retirement funds, Individual Retirement Plans, College Savings funds, certificates of deposit, stock, insurance, savings held by family, Christmas club accounts, Special Needs Trusts, Employability accounts (part of the Medicaid Buy-in program), Family Self Sufficiency program accounts, Individual Development Accounts, Plans for Achieving Self Sufficiency, and "other" savings. Checking and savings accounts were also included because these are the type of accounts most frequently maintained by study participants. The savings rates for eight study participants (28%) did not change. The number of those who reported decreased savings was equal to those who reported increasing their savings. A quarter of study participants (seven individuals) decreased their saving between \$1 and \$1,000. The most frequently cited factor was unanticipated expenses, including car repair, out-of-pocket medical expenses, moving expenses, and veterinary bills. One participant spent her savings on a down payment for a new car, consistent with her financial action plan. Four study participants (14%) increased their savings between \$1 and \$1,000; five (18%) increased their savings between \$1,001 and \$5,000. With the exception of one participant, those were the

Mixed Blessings: Personal Stories of Saving

Maureen joined the study because her husband was injured and out of work. She had been off public benefits for some time, but her family of five could not afford the mortgage payment on her salary alone—they were four months in arrears and the bank was close to foreclosing. *Please I need your help—I don't handle the money—my husband does—all I want to do is save my home.* Before the credit counselor was able to meet with her, Maureen found out her husband was diagnosed with a terminal illness. The AARP tax volunteer worked with her at the hospital to process her sizable refund so she could make the mortgage payment as quickly as possible. Unfortunately, within a short time, Maureen's husband died. Within a few months she was working with an attorney, and the mortgage had been paid off with the life insurance settlement. Since this time she requalified for employment assistance with Vocational Rehabilitation and has secured a full-time job that offers her individual medical benefits as part of the compensation plan. Her children are on the S-Chip program because she can't afford the family health insurance plan on a \$10 an hour salary.

Al reports that using all of the savings provisions has definite benefits, but that it is stressful to manage the record-keeping and reporting requirements for all of the different programs to make it work. The main goal he has is getting through graduate school so he can earn a substantially higher wage. He takes pride in his work and the risks he is taking to pull everything together to be successful. This resonates with Katharine who finds herself spending as much time reporting to public benefit agencies and asset-building programs that aim to help her as she does to her own employer. Maintaining a part-time job below her trial work period threshold gives her the time she needs to complete her education and build her business. However, the high price of gas and a recent move to a rural location within her target market area makes the costs of commuting exorbitant. Her preferred healthcare provider is located out of the area, so she has to manage her time as much as her pocketbook to make sure resources go to her IDA account instead of her gas tank. Her weekly schedule is carefully coordinated so that every therapy appointment, work assignment, or personal errand can be factored into each trip she makes. Soon after correcting a flaw on her credit report, she qualified for reasonably priced credit. She bought the car before the high gas prices hit, but now she can barely afford the gas to get to work, let alone her car payment. Some months she has to decide between making her car payment on time and making her IDA deposit.

same individuals who qualified for Individual Development Accounts and other institutional savings mechanisms including Family Self Sufficiency Programs and Plans for Achieving Self Support.

Debt

Two-thirds of participants reported one or more types of debt at intake while one third reported none. Seven participants (18%) reported one type of debt, six (15%) reported two types of debt, three (8%) reported three types of debt, six reported four types of debt, and two each (5%) reported 5 and 6 types of debt. The most common types of debt owed by participants are credit card debt (by 14 participants), unpaid medical debt (11 participants), automobile loans (11 participants), and personal loans owed to family and friends (nine participants). Other types of debt include unpaid utility bills, veterinary bills, phone bills, rent and mortgage payments, and student loans. Study participants had an average of 1.89 types of concurrent debt at intake.

The cost of credit is high for some study participants even as they made steady improvement. Of the 20 participants who accessed credit counseling, 15 are reported as having below-average credit, two have average credit, and three have no credit. Five participants in the study, all of whom accessed credit counseling, filed bankruptcy prior to enrollment in the study, and joined in order to rebuild.

A consistent theme from study participants is that it isn't so much spending temptations that are the problem, but the challenges they face navigating the system and pursuing opportunities with so narrow a margin for error.

At least three study participants had difficulty fulfilling spend-down requirements in the past. Spend-downs are out-of-pocket medical expenses for individuals who have incomes too high to financially qualify for Medicaid. Therefore they first must pay out a certain amount until they are deemed eligible. During any given month these individuals may fall in and out of Medicaid or not qualify at all because they can't meet the spend-down requirement.

The debt-load of thirteen study participants changed during the time they were enrolled in the study. Nine study participants decreased their debt, while four increased their debt. While changes were reported during interviews with study participants, most of these changes were self-reported and therefore should be considered unreliable. For a majority of cases at intake specific balances were obtained through credit reports and financial statements. All of the individuals who obtained their credit report and received assistance interpreting the report and establish a new spending plan indicated that they have benefited from the service due to increases in knowledge and awareness, as well as changes in their behavior toward credit management. However, we were not always able to verify this information in follow-up questionnaires. In some cases we declined to ask about specific amounts due to the emotional status of some of the study participants, so as to not contribute to the stress they were experiencing at the time of follow-up. In other cases, participants declined to comment. Due to the voluntary nature of research participation, we were unable to obtain credit reports for participants who declined the offer for credit analysis.

Credit Crunch: Personal Stories of Debt

One participant in the study reported having six credit cards at intake, the total balance of which at the time was just over \$4,000. His lowest interest rate was 19.9% a month, with an APR of 384.21%, with a payday lender. Between his high SSDI check and his job, James thought he was on his way to being rid of debt—he qualified for the Medicaid Buy-in program and had repaired his credit enough to qualify for an auto lease. But then one day he found out he was out of a job. *I tried to get out of the lease, but the bottom line is that I need a car to find a new job. I heard about [pay day lender] and . . . it's my only option until I get a new job.* Twice per month, James borrowed from the payday lender: *I borrow \$300 per month at the end of the month when money is running out, and when my SSDI check comes in I pay back \$360. Then I borrow halfway through the month to make my car payment.*

Heather was determined to work full-time and get off Social Security benefits. She was so offended when faced with the pitying looks she got from people in the waiting room as the medical provider humiliated her by shouting out, *Oh, you're on Medicaid—I need your card*, that she just didn't want to deal with it anymore. *Why are we treated like second-class citizens—don't we have a right to get professional treatment?* After getting her feet wet as a part-time telemarketer, she got a second job as a full-time guest services coordinator for an international hotel chain. She quickly made it through the ranks, succeeding at every training interval and receiving exceptional performance reviews. She paid off over \$2,000 of credit card debt in a very short period of time. Not only was she determined to get off “the system,” but because she was doing so well, she convinced herself she was cured of her mental illness. She decided she no longer needed her medication, and began working 20-hour days at her full- and part-time jobs. Then one day she found herself hospitalized. *I was doing so well, but now the interest has just compounded and I owe more than I did before. I feel like for my own health I have to seek bankruptcy because the thought of having all this debt . . . it just makes me feel very stressed out. I know I'm trying my best, but I hate the way it makes me feel.*

Michelle is a recently divorced single mother whose daughter recently turned 18 and no longer receives child support. Having been a homemaker for nearly 20 years, Michelle has to figure out a way to support herself despite her chronic pain resulting from her severe back injury. Frustrated with the help she received from employment agencies, she finally got a job as a teller. But the job requires her to stand all day. She knows it isn't a good job match for her, but she is \$4,000 back on her rent and the landlord won't hold out forever. When she received an overpayment letter from the state, she didn't know what to do. She had reported her income every month like they told her to do. But she didn't realize that her daughter's earnings would negatively impact her SSI status—they kept sending her the deposits, so she assumed she could spend the money. Not only that, but the state informed her that for some reason she was on the Medicaid Buy-in program instead of the 1619b program, which meant that she may lose her link to Medicaid altogether—a devastating thought, because without insurance she can't afford to buy her prescriptions that help to control her chronic pain. Along with the stress of her dying father, the dilemma of needing her daughter's income to pay for the loan she co-signed for while knowing that if she stays living with her she'll be off Medicaid only exacerbates her anxiety and substance abuse. *I'm doing all I can to survive—why can't anyone help me!*

Perceptions of Financial Wellbeing and Satisfaction

Study participants were asked to indicate their satisfaction with their financial situation. Even though many candidates improved their financial standing (some considerably) by paying down their debt, increasing their savings, and claiming their tax credits, participants increasingly indicated dissatisfaction with their situation.

The higher cost of living, such as food and gas expenses, was a consistent theme. Moreover, many individuals experienced significant life events such as illness and family crises that had a large impact on them. Even though net worth may have changed, and participants indicated they've made progress on their goals, the level of effort and hardship is daunting. *I want so badly to get out of the projects. I put everything into my IDA that I can, even if it means that I don't eat sometimes.* All the while, the standard of living stayed the same or was actually lowered because there were fewer dollars available for discretionary spending. It is conceivable that a heightened sense of awareness or desire to change financial status may frustrate perceptions about satisfaction. *Oh, I'm not satisfied at all. The whole reason I'm doing this is because I want to be independent—the only way I'm going to do that is by taking care of myself and getting a better education so I can support myself financially—but it's stressful pulling all these pieces together . . . they don't make it easy, but that's the way it is.*

It is conceivable that a heightened sense of awareness or desire to change financial status may frustrate perceptions about satisfaction.

Perceptions about opportunity may also influence the satisfaction levels of study participants. *I made the Dean's list. I have excellent references. I always make it to the second, sometimes third interview. But because of the 5-year gap after my injury, I never get in! Here I am accumulating more and more college debt because I thought I would get ahead with an education—and the only people who do have an inside contact! I graduate in May with my Master's . . . what am I going to do when I have to start repaying my student loan debt and I'm stuck in a temp job again? I need the situation to improve so I feel like I'm contributing—I'm tired of having my brother pay for my gas so I can be part of the family.*

Discussion of Barriers and Opportunities

The objective of this study was to explore the impact and the utility of a set of inputs on the financial wellbeing of study participants. Participants presented a wide range of personal attributes and financial needs. Over a relatively short period of time, incremental gains were made in each outcome area. Modest changes were achieved in personal savings, debt reduction, and increased access to available resources, such as EITC and asset-building programs. However, the value of the accessed services largely depended on the extent to which participants were able to apply the information provided. The capability to do so was often dependent on not only the personal desire and motivation to effect change in financial position,

but also the social and structural impediments that influenced their personal capability. Highlighted below is a summary of factors that played an influential role in the development outcomes as reported by participants and observed by investigators during study implementation.

- **Job retention and reacquisition:** employment status influenced the degree to which participants were capable of making progress on their financial goals. Several participants changed jobs on multiple occasions, and other participants reported the need for more assistance to secure employment, which went beyond the scope of this study. Even modest earnings made a real difference in the overall financial position of project participants.
- **Significant life events:** study participants were frequently experiencing personal distress due to health or family distress, as well as financial loss associated with the costs of being poor. Coping skills were influential in their ability to adapt to the changes and move forward.
- **Context:** counseling inputs must be delivered in a framework that appreciates the larger health context so as not to unintentionally result in the decline of personal health. For example, many participants reported they were unable to afford the type of food they needed for proper nourishment. Feelings about money and financial position were closely connected

to the feelings participants had about their place in society. Compassion was identified as an important ingredient for coping with the personal and structural obstacles presented.

- **Autonomy-compatible assistance is important.** Participants scheduled the services that met their most immediate interest first. Everyone's situation is unique and participants had to make decisions about what they could take on in the short-term in the context of maintaining their other responsibilities. Few people accessed all of the services made available by the project, but those who did made the most gain.
- **Some policies remain problematic.** Many people were interested in the Individual Development Account program; however, financial obligations made it impossible for them to participate during the study period. In other cases, income from a parent or spouse living in the same household ruled out IDA eligibility. Similarly, several people were eligible for subsidized housing; however, the type of housing in many cases was project-based subsidized housing that did not offer the Family Self Sufficiency escrow option. This meant that in order to qualify for the program, individuals would first need to re-qualify for housing assistance under the Section 8 program, and then move to a new location.

Conclusion

The foundation of contemporary disability policy ideology is to promote personal autonomy and full participation. Exploratory research conducted by the first generation of the Disability and Rehabilitation Research Project (DRRP) indicates the utility of such customized services, which result in improvements in knowledge, skills and behavior in 1) credit standing, 2) increases in liquid and restricted savings for asset-building resources, 3) household budgeting behavior, and 4) utilization of tax credits. However, improvement in financial position is largely dependent on the persistence of individuals with disabilities to cope with significant life events and structural obstacles that stand in the way of personal freedom. A comprehensive theory of change that braids together these individual financial counseling inputs for improvements in financial position is recommended. However, the persistent underemployment of persons with disabilities and the rational economic decisions that they are forced to make in absence of livable wages suggests that policy development is needed in the area of market-based solutions. The development of community-based assets that place a premium on career ladders and livable wages, such as worker-owned cooperatives or sector-based workforce development, may be an important complement to individual asset development that depends so highly on personal income.

Works Cited

- Ball, P., Morris, M., Hartnett, J., & Blanck, P. (2006). Breaking the Cycle of Poverty: Asset Accumulation by People with Disabilities. *Disability Studies Quarterly*, 26 (1).
- Davies, T. (forthcoming). *Living with Independence, Freedom and Equality (LIFE) Account Feasibility Study and Implementation Plan: Demand for Savings Among Those Who Self-Direct Medicaid Funded Services in New Hampshire*. Manchester, NH: CED Press.
- Davies, T. (2006). *LIFE Accounts and Asset Development: Linking Theory and Practice*. Manchester, NH: Southern New Hampshire University.
- Davies, T., & Malloy, J. (2007). *Asset Development for People with Disabilities: A Conceptual Framework*. Chicago, IL: National Consortium for Health Systems Development.
- Dubb, S. (2005). *Building Wealth: The New Asset-Based Approach to Solving Social and Economic Problems*. College Park, MD: Aspen Institute, University of Maryland at College Park Democracy Collaborative, Nonprofit Sector Research Fund.
- Elliehausen, G., Lundquist, E. C., & Staten, M. E. (2003). *The Impact of Credit Counseling on Subsequent Borrower Credit Usage and Payment Behavior*. Washington, D.C.: Georgetown University Credit Research Center.
- Hartnett, J. (2007). *Building a Better Future for Americans with Disabilities: Annual Progress Report on the 2006-2007 Real Economic Impact Tour*. Washington, D.C.: National Disability Institute.
- Hartnett, J., Mendelsohn, S., & Morris, M. (2008). *Financial Incentives Study for Persons with Disabilities*. Washington, D.C.: National Council on Disability.
- Lindblom, C. E. (2001). *The Market System: What It Is, How It Works, and What To Make of It*. New Haven, CT: Yale University Press.
- Sen, A. (1999). *Development as Freedom*. Oxford, UK: Oxford University Press
- Sherraden, M., Johnson, L., Clancy, M., Beverly, S., Schreiner, M., Zhan, M., et al. (2000). *Saving Patterns in IDA Programs*. St. Louis, MO: Washington University, Center for Social Development.
- Silverstein, R. (2000). Emerging Disability Policy Framework: A Guidepost for Analyzing Public Policy. *Iowa Law Review*, 85 (5), 1691-1976.

- Simon, W. H. (2001). *The Community Economic Development Movement: Law, Business and the New Social Policy*. Durham, NC: Duke University Press.
- Tremblay, T., Smith, J., Xie, H., & Drake, R. E. (2006). Effect of Benefits Counseling Services on Employment Outcomes for People With Psychiatric Disabilities. *Psychiatric Services*, 57 (6), 816-821.
- Tremblay, T., Smith, J., Xie, H., & Drake, R. (2004). The Impact of Specialized Benefits Counseling Services on Social Security Administration Disability Beneficiaries in Vermont. *Journal of Rehabilitation*, 70 (2), 5-11.
- Xiao, J. J., & Wu, J. (2006). *Encouraging Behavior Change in Credit Counseling: An Application of the Transtheoretical Model of Change (TTM)*. Tucson, AZ: Take Charge America Institute for Consumer Financial Education and Research, University of Arizona.
- Xiao, J. J., O'Neill, B., Prochaska, J. M., Kerbel, C., Brennan, P., & Bristow, B. (2001). Application Of The Transtheoretical Model of Change To Financial Behavior. *Consumer Interests Annual*, 47.

Tax and Financial Service Needs of Working Americans with Disabilities

by Johnette T. Hartnett, Ed.D.¹

Summary

This article reports on two recent and unprecedented studies of people with disabilities and their tax and financial characteristics and needs. The first study, conducted by the National Disability Institute, surveyed users with disabilities of free tax-filing centers in four cities using questionnaires and focus groups. The qualitative findings of this first study were validated by a follow-on study, conducted by the IRS, that used national survey data from several sources and IRS tax returns to create a snapshot of working-age people with disabilities.

Highlights of Findings:

Taxpayers with disabilities are:

- older—in their mid-40s on average compared to mid-30s for taxpayers without a disability;²
- in need of further education about how receipt of various tax credits interacts with receipt of public benefits;
- fearful of losing health care benefits if they file a return and receive a refundable credit; and
- underbanked and wishing for a relationship with a financial institution.

Focus groups conducted in the four pilot cities established that despite being underbanked, low-income persons with

disabilities want to be part of the financial mainstream. They identified two main obstacles: first, lack of access to products and services that meet their needs; and second, lack of a relationship with a financial provider or tax representative.

Taxpayers with disabilities also reported their desire to own a home, save regularly for retirement and learn how to do their own taxes.

“I would like to know how to do my own taxes. Some day you know, the services we are talking about [may not be] available for me anymore.”

— Focus group participant

¹ National Disability Institute, Washington, D.C., and Law, Health Policy and Disability Center, University of Iowa, College of Law

² Exact figures differ depending on the source.

Additional characteristics of taxpayers with disabilities:

- 51% have adjusted gross incomes less than \$20,000;
- 30% do not invest or save, compared to 12% of non-disabled taxpayers;
- they are less likely to have a bank account or use direct deposit for refunds compared to non-disabled respondents; and
- possibly over one million workers with disabilities are not filing a return and could be missing out on tax credits.³

Research Recommendations

While these two studies provide more information than has ever before been collected about the tax and financial needs of people with disabilities, further research should be conducted that:

- evaluates the impact of various asset building interventions for individuals with disabilities over time;
- provides a foundation for tax and financial education for K-12 students in special education, especially those transitioning from school to work;
- continues to build capacity in existing Volunteer Income Tax Assistance (VITA) coalitions to serve customers with disabilities; and

- contributes to public policy debate of how low-income people on means-tested benefits can be allowed to save and not be penalized for having assets.

Introduction: the Asset-Building Landscape and People with Disabilities

The founding fathers of the United States paved the way for our young democracy to begin grappling with the challenges of capitalism and equality through promotion of asset development. Since the early 1990s, a renewed interest in assisting low- to moderate-income workers gain financial security has spurred innovative federal and private sector initiatives designed to build assets.

Asset reform today includes free tax preparation assistance, financial education, matched saving programs, benefits counseling, split refunds (the ability to direct a portion of one's refund to

“I didn't file my taxes for ten years because it would cost me my health care. I believed that for years.”

— Focus group participant

a savings account), home ownership counseling, and an array of debt and credit counseling programs. On the local level, over 300 community-based coalitions in the United States provide free tax preparation and asset-building services to over three million low-income customers. On the national level, a number of public and private organizations have innovative financial stability “models,” “pathways,” “blueprints,” and “partnerships” all targeted at building a better economic future

³ Researchers from NDI estimated that these credits could be worth up to a billion dollars, because the average Earned Income Tax Credit received by a taxpayer with a disability is about \$900.

for Americans. Innovations include those from:

- the **Aspen Institute**, offering new types of “accounts” that help families save, own a home, and retire; (Initiative on Financial Security, 2007)
- the **Annie E. Casey Foundation’s** *Making Connections* initiative, a ten-city, ten-year demonstration project to help vulnerable children living in tough neighborhoods succeed by strengthening their families’ connections to economic opportunity, positive social networks, and effective services and supports; (Annie E. Casey Foundation, 2007)
- the **Brookings Institute’s** Metropolitan Policy Program, a research and policy program that revisits the role of metropolitan cities in building American prosperity; (Brookings Institution, 2008)
- the **FDIC’s** Alliance for Economic Inclusion initiative, linking high-poverty areas in the United States to affordable financial services that promote economic inclusion; (Federal Deposit Insurance Corporation, 2007)
- **United Way’s** Financial Stability Partnerships, promoting realistic solutions that increase income, build savings and help individuals and families gain and sustain assets through its 1,300 United Way networks; (United Way of America, 2008) and
- the **Filene Research Institute’s** REAL Solutions credit union approach to developing products and services that align with the basic needs of low-wealth

consumers. (Kitsch, 2006)

The policy landscape since the passage of the Americans with Disabilities Act in 1990 has shifted from income maintenance as a safety net for the perceived “incapacity” of persons with disabilities to promotion of strategies to advance their economic independence. Yet this

. . . newer thinking about the possibilities of employment has not connected with a roadmap out of poverty . . .

newer thinking about the possibilities of employment has not connected with a roadmap out of poverty: thirty-six percent of working-age adults with disabilities live in or head households with annual incomes of under \$15,000. (U.S. Census Bureau, 2008)

Chronic unemployment for people with disabilities (only about 56% work full or part-time—a figure that drops to 43% for people with a severe disability—compared to 88% of people without disabilities), (U.S. Census Bureau, 2008, May 27) and enduring poverty (working-age people with a severe disability are three times as likely to be living in poverty compared to those without a disability) (N.O.D./Harris Survey, 2004) requires new strategies for building economic empowerment for new century workers with disabilities.

Research confirms that asset ownership is associated with both good health and quality of life. (Beeferman, 2001) But without access to mainstream financial services and supports, a child born today in the United States with a significant disability still has little chance of gaining economic self-sufficiency, independent living and employment despite advances in health care, assistive technology, and education.

(Kahn & Kamerman, 2002) Children with disabilities living in poverty will develop a healthy financial future only if they grow up with opportunities to participate in asset-building strategies and public policies that are designed for their special needs. (Sawhill, 2003) High schools in the United States graduate thousands of special education students each year with little background in financial education or other asset-building strategies. Many of these young adults with lifelong, chronic disabilities are financially unprepared to make the transition into the workforce, independent living or secondary education because of their and their families' lack of consumer financial knowledge and access to low-income asset-building strategies.

Today, nearly one in every five individuals or about 50 million Americans has a disability. (Waldrop & Stern, 2003) Twenty million families have at least one member who has a disability and the demographic profile cuts across race, gender, age, and geography. (Wang, 2005) Disability is more common in low-income and minority populations and is a constant companion of poverty. (Newacheck, Stein, Bauman, & Hung, 2007)

It is estimated that in 2007 about 25% of the

High schools in the United States graduate thousands of special education students each year with little background in financial education or other asset-building strategies.

\$40 billion allocated for the Earned Income Tax Credit (EITC) (a refundable credit available to individuals and families whose incomes fall below various levels depending on the size of the family) went unclaimed and that many non-claimers are qualified persons with disabilities who do not claim the credit because of lack of knowledge or access. Many families

with adult children with disabilities living at home do not understand that they may qualify for the EITC; similarly, single persons with a disability with low incomes but without a qualifying child may also be eligible. In addition, parents who have custodial care of their adult son or daughter often do not

understand that their child may be claimed as a dependent. Finally, of the dozens of financial education programs nationwide, there are no research-based curricula that address disability-specific issues such as accessibility and receipt of public benefits or Social Security work incentives. The Money Smart Program produced by the Federal Deposit Insurance Corporation is the only national curriculum that has adapted a supplemental guide for training trainers in working with customers with disabilities and produced a Braille version for customers who are blind.⁴

⁴ The National Disability Institute and the Law, Health Policy and Disability Center, University of Iowa, College of Law, assisted their national partner FDIC in producing this supplemental guide and Braille version of the Money Smart Program.

Coordinated Effort to Improve Assets of People with Disabilities

The energy and thought going into increasing asset ownership for low-income Americans is impressive and opening new doors for individuals with disabilities and their families. Building their financial security has become a top policy agenda item in the 21st century. A coordinated effort was kicked off by a grant in 2004 from the National Institute on Disability Rehabilitation Research (NIDRR) awarded to the Law, Health Policy and Disability Center, University of Iowa, College of Law, to research the issues of asset accumulation and tax policy for individuals with disabilities.⁵ This inaugural research opportunity provided the entrée for disability researchers to form a collaboration of unprecedented partnerships that examined tax policy (see article on page XX), the role of credit unions in serving populations with a disability (page XX), and the role of Community Economic Development as it relates to disability (page XX). Activities initiated by the project also included the creation of a monthly e-newsletter on asset development and disability, EQUITY, with over 35,000 subscribers (see page XX) as well as a national movement to bring free tax filing and asset-building strategies to individuals and families with disabilities—the Real Economic Impact Tour (REI Tour⁶, page XX).

The NIDRR grant opened the door for new public and private partners to join as research partners and sponsors to explore the tax and financial service needs of working Americans with disabilities and their families. This article highlights findings from two separate studies that examined their tax filing characteristics, preferences and habits, as well as the knowledge that individuals with disabilities have about the EITC and if they are receiving the credit. The **Ford Study** (Hartnett, 2006) was conducted by the National Disability Institute, and the second study (IRS Wage and Investment Research, 2007, referred to in this article as the **Benchmark Study**) was conducted by IRS W&I Research for the IRS Stakeholder Partnerships, Education & Communication (SPEC). Each study is available on the web in its entirety.⁷

These studies confirm that persons with disabilities who are entering the labor force for the first time or after a serious accident often have little experience with filing taxes or managing a budget and are unaware of existing tax credits and provisions that may positively impact their financial status. These results support earlier findings, such as the 2004 N.O.D./Harris Survey that found that 83% of persons with disabilities never claimed available tax credits or deductions related to work and that less than half of persons with disabilities who own homes claim the home mortgage interest deductions.

5 NIDRR funded the Asset Accumulation Tax Policy Project (AATPP) at the Law, Health Policy and Disability Center, University of Iowa, College of Law. Partners include: National Disability Institute; World Institute on Disability; Southern New Hampshire School of Community Economic Development Center on CED and Disability; The National Federation of Community Development Credit Unions; and Steven Mendelsohn, a lead expert attorney on disability tax law.

6 Since 2005, the Real Economic Impact Tour has reached over 2 million people, and has helped 151,751 taxpayers with disabilities receive free tax filing assistance with refunds of \$136,374,700. Historically, free tax filing assistance, low-income saving pilots, and basic knowledge about credit and debt repair had not targeted customers with a disability.

7 For the Ford Report, please see http://www.reitour.org/docs/Educating_Democracy.doc. For the Benchmark Study, please see <http://www.irs.gov/pub/irs-pdf/p4640.pdf>.

The Ford Study

Background

In January 2006 the Ford Foundation awarded a one-year grant to NDI and NCB Development Corporation that was matched by the National Cooperative Bank to study four of the 30 cities participating in the REI Tour. The study was to assess the participation of individuals with disabilities in asset-building activities offered through participating community-based free tax filing coalitions as well as to better understand the general population of individuals with disabilities and their needs as a growing market segment.

In addition, NDI partnered with the IRS Stakeholder Partnerships, Education & Communication (SPEC) group and the Wage and Investment Research Division to provide the IRS Taxpayer Assistance Blueprint (TAB) II research group with findings that resulted from conducting focus groups with taxpayers with disabilities, especially as these findings relate to themes associated with the TAB.

The National Disability Institute's Real Economic Impact (REI) Tour, a public/private partnership started in 2004 to bring tax and financial education to persons with disabilities, their families and employers, provided the infrastructure to conduct this project. The REI Tour is supported by 14 national partners, IRS/SPEC, and 550 local organizations in 62 cities.⁸ This NDI network provides free tax assistance to people with disabilities through VITA, the IRS Volunteer Income Tax Assistance Program.

In keeping with the REI Tour strategy, this research leveraged existing relationships to achieve its goals. The goals of the four-city pilot research expanded on the goals of the Real Economic Impact Tour: to increase public and private understanding of the financial services and tax filing needs of working individuals and their families with disabilities; to increase the number of free tax filers with disabilities receiving the EITC; to identify access and accommodation solutions that increase asset-building participation of individuals and families; and to provide outreach and education to lead disability workgroups. The results of the research will help attract potential tax filers with disabilities and insure that their specific needs are met by community-based programs offering free tax filing services.

The core findings are qualitative and based on descriptive statistics and represent the voices of thousands of participants with disabilities. The findings and recommendations of the report reflect actions suggested by participants with disabilities to increase their access and participation in the formal U.S. economy. The people who participated in the research were not randomly selected and do not represent a statistically valid sample of the general population of low-income taxpayers with disabilities. Although the sample size is large, increasing the accuracy, validity, and reliability of the overall observations, further research to confirm and validate the Ford Study's findings was necessary. (In 2007, IRS W&I Research

⁸ 2008 Sponsors of the REI Tour include Bank of America, AT&T and Darden Restaurants Foundations.

developed the follow-up Benchmark Study, described below, that produced statistically reliable data that confirmed many of the key findings from the Ford Study.)

Participation criteria for the Ford Study required that an individual with a disability be working and have filed a tax return (or done both in the near past) and be EITC eligible (for the 2006 filing season, this meant having a household income of less than \$35,000 for a family of four).

The core research question for the four-city pilot was: Who are customers with disabilities utilizing free tax filing and financial services, and what are their needs? *The core research method* was qualitative and exploratory and used surveys, focus groups and document review for data collection. Three different surveys were designed and 3,901 taxpayers with disabilities responded. The three surveys were targeted at participants with disabilities across the four pilot cities. First, the Walk-In Survey collected responses from 3,199 taxpayers with disabilities who visited a free tax site and filled out a seven-question form; second, the Non-Walk-In Survey collected responses from 649 taxpayers with disabilities who were contacted through a local participating disability organization and asked to fill out a 26-question form; and third, the Focus Group Survey collected responses from 83 participants from all four cities who attended a two-hour focus group and filled out a 27-question form.

Focus Group Participants

NDI's partner disability organizations were instructed to recruit 15 participants for each focus group session, in anticipation that 10 to 12 would actually show up. Most of those who agreed to participate did show up: 15 in Wichita, 14 in Boston, 14 in West Palm Beach,

and 35 in New York. Most of them were eager to participate. Just after one participant in Wichita who had an intellectual disability entered the focus group facility she was overheard to say, "This is the most important thing I've ever been asked to do." As she was leaving the facility, she was overheard telling her driver, who appeared to be a sister, "I tried hard to do a good job."

Approximately one-third of the participants had been disabled since birth, and approximately two-thirds had acquired disabilities. Consistent with the screening criteria, in addition to being disabled, the participants were working and filing tax returns. Many of them worked only part-time. None of the participants had an individual income level over \$35,000 per year, and the majority of them earned \$15,000 or less per year. Many of them received governmental disability income benefits. At least one-third of the participants in each city had received EITC, though some were not sure whether they had received EITC or not. Education levels varied among the participants, ranging from individuals who did not complete high school to individuals with graduate degrees.

The core research question for the four-city pilot was: Who are customers with disabilities utilizing free tax filing and financial services, and what are their needs?

Benchmark Study

Background

The Stakeholder Partnerships, Education & Communication (SPEC) Disability Initiative (branded the Real Economic Impact Tour) goal is to educate taxpayers with disabilities about available tax credits and free tax preparation assistance. Because of its collaboration with NDI and the Tour, SPEC asked Wage & Investment Research (W&I) to strengthen their strategy by providing empirical information regarding the demographics, filing habits, preferences for receiving tax information, and awareness of Internal Revenue Service (IRS) services for taxpayers with disabilities ages 18 to 59. (IRS Wage and Investment Research, 2007, p.3)

W&I used data from three surveys conducted on behalf of the IRS in 2006 and from the American Community Survey (ACS) conducted by the U. S. Census. Altogether, the four sources of information were: 1) Opinion Survey of Taxpayer Resources and Services, 2) W&I Market Segment Survey, 3) Forrester Mail Survey, and 4) American Community Survey. The first three studies base their findings on a sample of the population while the fourth, the ACS conducted by the Census, bases its results on the entire population. The ACS was used as a way to appropriately weight the responses from the other surveys to accurately correspond to general population demographics.

Data Analysis

The findings from the Ford Study are reported below, interspersed with relevant data from the Benchmark Study and other sources. The results from the Ford Study describe two

different populations of taxpayers: taxpayers with disabilities who were recruited by disability organizations to fill out the non-walk-in survey or participate in a focus group, and taxpayers with disabilities who came to use the free tax preparation sites on their own initiative. In some instances, their characteristics were very similar; in others, they differed significantly.

Taxpayers recruited through a local disability organization, as compared to tax filers *without disabilities* using free tax preparation services, are:

- **Older.** The average age of taxpayers with a disability was 43, while nationally tax filers without a disability receiving EITC are on average 35 years old for first-time filers and 39 for repeat filers. (FoodChange, 2006)
- **More educated.** Fifty-four percent of taxpayers with a disability reported having a High School diploma compared to 35% of taxpayers without disabilities.
- **Of both genders.** Both male (45%) and female (53%) taxpayers with disabilities make use of free tax preparation services, while EITC tax filers without disabilities are predominantly female (FoodChange, 2006).
- **Lower-income.** Fifty-eight percent of taxpayers with a disability reported incomes of \$15,000 or less (36% reported \$7,500 or less and 22% between \$7,500 and \$15,000). Taxpayers without disabilities participating in the 2006 National Tax Assistance for Working Families Campaign report a median household adjusted gross income of \$15,132. (Holt, 2006a, p.3)

When taxpayers with disabilities recruited through local disability organizations were compared with taxpayers with disabilities using free tax preparation services on their own initiative, some differences appeared between the two groups:

- **Race and ethnicity.** The racial/ethnic makeup of taxpayers with a disability independently using a free tax preparation site is similar to that of taxpayers using the free tax prep site without a disability: 47% African American compared to 44%; 36% Latino-Hispanic compared to 41%; 7% Caucasian both with and without a disability; 2% Asian compared to 4%; and 3% Other compared to 4%. In stark contrast, the racial/ethnic composition of taxpayers with disabilities recruited through local disability organization was predominately Caucasian (50%), followed by 25% African American and 15% Latino-Hispanic. Slightly more Asians (2%) were represented as were Native Americans (2%); 7% reported as Other.
- **Social Assistance.** Taxpayers with a disability participating in free tax preparation through a local disability organization report receiving Supplemental Security Income (SSI) at a higher rate than those coming in on their own—30% compared to 12%. Similarly, 24% receive Social Security Disability Insurance (SSDI) compared to 9% entering a free tax site on their own.
- **Type of disability.** Twenty-nine percent of the taxpayers recruited through a local disability group reported that they had a cognitive

disability, 18% said that they had a mobility disability, and 24% classified their disability as “other.” The remaining 16% had a sensory disability. In contrast, 33% of taxpayers with a disability who came to the free tax site on their own listed “other”⁹ as the most common type of disability; 25% reported mobility; 22% reported a cognitive disability and the remaining 11% sensory.

- **Living arrangements.** Thirty-six percent of taxpayers with a disability participating through a local disability organization are renters, 27% live with family, 16% own a home, and 6% rent using a Section 8 voucher. Taxpayers with a disability independently using a free tax prep site are much more likely to be renters, at 66%, and less likely to live with family (15%) or own a home (7%).

Taxpaying Characteristics

Tax preparation. The IRS Benchmark Study (IRS Wage and Investment Research, 2007) found that two-thirds (66%) of taxpayers with disabilities used a paid preparer compared to slightly more than half (56%) of taxpayers without a disability. In contrast, participants in the Ford Study (Hartnett, 2006) were less likely to have used a paid preparer, perhaps because they were aware of the free tax preparation service or because few of them worked full-time and felt they needed to file. Twenty-three percent of taxpayers with a disability participating in free tax preparation through a local disability organization had used the free tax service site the year before; 20% had not

⁹ Participants did not specify what they meant by “other” but we know it was not mobility, cognitive, hearing or vision disability. Chronic illness underlies nearly half of all disability. (La Plante & Carlson, 1996)

filed; 8% had prepared their own return; and 13% had paid for tax preparation. Forty-three percent of the taxpayers with a disability coming into the sites independently had used the service the year before; 18% had not filed; and 2% had prepared their return themselves. In contrast with the IRS findings, only 29% of respondents to the Ford Walk-In survey reported having paid for the service the previous year.

The Benchmark Study found that 55% of taxpayers, both with and without disabilities, who used the services of paid preparers did so because of their perceived accuracy and awareness of tax law changes. This suggests that the free VITA tax preparation services could be promoted by marketing their accuracy and awareness of tax law changes. Only 30% of disabled respondents to the nationwide Benchmark Opinion Survey indicated awareness of VITA.

Receipt of EITC and other credits. The Benchmark Study found that taxpayers with disabilities were about twice as likely as the non-disabled to receive EITC (32% vs. 16%). They were also more likely to report medical deductions on Schedule A (for itemized deductions)—11% vs. 5% for non-disabled persons. Forty-six percent of taxpayers with disabilities using the FoodChange free tax sites in 2006 received the Earned Income Tax Credit (EITC) compared to 52% of taxpayers without disabilities using those same sites. (FoodChange, 2006) Only 37% of taxpayers

The Benchmark Study found that taxpayers with disabilities were about twice as likely as the non-disabled to receive EITC (32% vs. 16%).

participating in free tax preparation through a local disability organization report receiving the EITC. This may be because many of these locally recruited taxpayers with disabilities were

first-time filers: data from FoodChange and Annie Casey free tax sites show that repeat users of the free tax sites utilize various tax credits including the EITC more frequently than first-time filers. Although the four-city pilot data does not indicate the first-time filing status of taxpayers with disabilities, it is likely that a large percentage of these participating taxpayers were first-time EITC filers.

Marital status. Fifty-six percent of 2,306 tax filers with disabilities participating in the FoodChange 2006 free tax preparation filed “single,” similarly to taxpayers without disabilities. FoodChange reported a decrease of 2% in customers receiving the EITC in the 2005 filing season due to the number of filers that continue to fall outside EITC eligibility. FoodChange also experienced a 3% increase in single filers—a factor possibly contributing to the decrease in taxpayers receiving EITC, because the income thresholds for EITC eligibility are significantly lower. Data from the Annie Casey 2006 Report also reflect a decrease in EITC filers and increase in single filers and those taxpayers claiming “0” dependents.

These figures for participants in free tax preparation differ from the general profile of taxpayers. The majority of taxpayers with and

without disabilities are married. The Forrester Mail survey found that the marital status for both groups was similar: the majority of respondents with disabilities were married (59%), as were the majority of respondents without disabilities (63%).

Refund anticipation loan. Taxpayers with and without disabilities were not likely to file for a Refund Anticipation Loan (RAL). Only 8% of taxpayers with disabilities recruited through a local disability organization filed for a Refund Anticipation Loan, compared to 4% who came to the site on their own. Eleven percent of taxpayers without disabilities participating in the FoodChange free tax preparation site reported using a RAL in 2005.

Use of funds. Regardless of the type of refund, 41% of taxpayers with a disability participating in free tax preparation through a local disability organization would pay bills with their refund; 19% would buy groceries; and 19% would save for a rainy day. Individuals with disabilities who participated in the focus groups were asked to talk about what they would do if they won \$2000; common responses included tithe at their church, pay bills and give gifts to family members.

Association with Financial Institutions

Taxpayers with disabilities associated with a

local disability organization are more than twice as likely as those who came to a free tax site on their own to have a checking account (66% vs. 30%) and three times more likely to have a savings account (44% vs. 12%). In addition, 21% of taxpayers participating through their local disability organization report using direct deposit and 9% used online banking. Because many of the people associated

with local disabilities groups have significant and/or long-term disabilities, it is likely that many receive one or more types of public benefits (see discussion of “social assistance,” above). Recipients of these benefits are strongly encouraged to have their benefits deposited directly into a savings or checking account—both for security in receiving their benefits as well as for significant cost

Recipients of . . . benefits are strongly encouraged to have their benefits deposited directly into a savings or checking account—both for security . . . as well as for significant cost savings to the government . . . providing these benefits. As a result many of these taxpayers have at least a modest relationship with a local financial institution.

savings to the government entity providing these benefits. As a result many of these taxpayers have at least a modest relationship with a local financial institution.

Overall, data from the Benchmark survey show that 30% of taxpayers with a disability do not invest or save, compared to 12% of non-disabled taxpayers. It is plausible that some of these respondents reporting no investments or savings have low incomes that do not lend themselves to saving or investing. Based on data

from the Benchmark survey, 39% of disabled taxpayers ages 18 to 59 who reported that they did not invest or save had an AGI less than \$20,000.

Although the banking profile (having a checking or savings account) for taxpayers without disabilities differs depending upon the program data used, it seems that on the whole they use financial services and products more than taxpayers without a disability. For example, the New York City FoodChange (2006) report found that 37% of 44,272 walk-ins to the free tax sites 37% reported having a checking or savings account. (p. 14) However, 79% of the banked customers at FoodChange without a disability used direct deposit; 95% ATMs and 30% online bill services.

The 2006 National Tax Assistance for Working Families Campaign (NTA) reports that 81% of its 223,782 free tax site users (no disability data available) have a checking or savings account and that 64% used direct deposit. (Holt, 2006a, p.3) In 2004 NTA reported that the median AGI for taxpayers with both checking and savings was \$18,996, and for checking only \$15,786, and savings only \$12,366. (Holt, 2006a, p.12) A recent report at the National Community Tax Coalition conference given by Steve Holt on outcomes from a number of the NTA cities found that the lower the income the more likely an individual is to be unbanked. (Holt, 2006b)¹⁰

Accommodations Needed

Fifty-seven percent of taxpayers participating in free tax preparation through a local disability organization reported needing accommodations when filing taxes or doing everyday banking. Needs ranged from teller windows being too high to lack of accessible websites for doing online banking for individuals with visual disabilities. The majority of individuals surveyed requested that procedures and forms for tax filing and financial services be simplified and that tax and banking personnel increase their understanding of how to respond to the needs of customers with disabilities. It is important for financial institutions to find ways to make their products and services more accessible, because according to the Benchmark Study, financial institutions (banks, savings and loans, etc.), rather than advisors or unofficial sources, were the resource most frequently selected as a source of information about saving and investing by both disabled and non-disabled taxpayers (37% and 51% respectively).

Although 21% of taxpayers with a disability participating in free tax preparation through a local disability organization have taken a class in how to handle their money, focus group participants reported that the classes were most often not helpful or accessible.

¹⁰ Mr. Holt presented research that suggests that income plays a much more important role in whether families are banked or not. See introduction section of report for further explanation.

Personal experiences and expression

Focus groups provided a closer look at the concerns of taxpayers with disabilities. Taxpayers with disabilities reported that the experience of using free tax preparation services was positive and that they would return to the sites the following year. Several participants talked about their aging parents helping them with their tax filing in the past and their fear of who would help them once their parents are gone.

“It was a good experience for me to come to the free tax site because the preparer was experienced with disability and had a disability too. He understood.”

—Focus group participant

Taxpayers with disabilities would also like to learn how to do their own taxes in case the free service was eliminated at some point. Many taxpayers with disabilities did not understand the intricate filing requirements associated with receiving public benefits, and some reported not having filed in the past due to ignorance or confusion about filing rules. The majority of taxpayers with disabilities reported that they had not received education about tax filing while on public benefits or

when transitioning to work and that it would be very useful information for them and would help them avoid making mistakes in the future.

Few focus group participants understood what an Individual Development Account was, and none (of the taxpayers surveyed) reported participating in one.

Participants across all four cities voiced their concern about filing their taxes and losing public benefits. Participants were most concerned about income and savings limits they are allowed to have if they work in order to receive government benefits. Few focus group participants understood how the benefit system works or what the impact of receiving the EITC or other credits would have on their disability benefits. Many reported hearing about these issues through word of mouth but did not know who to trust or who to ask about their concerns.

“The amount of money I can save and be on SSI has never been made clear to me. It puts a damper on my savings because I am afraid.”

—Focus group participant

National Figures

Further results of the Benchmark Survey not reported above on the demographic, taxpaying and financial characteristics of taxpayers with disabilities are presented in this section.

Employment

The Opinion Survey estimated 5.0 million returns from taxpayers with disabilities who were working. The American Community Survey (ACS) indicated there were 6.6 million employed persons with a disability ages 18 to 59 and they represented 6.3 million households. In both the ACS and the Opinion surveys, taxpayers with disabilities were more likely to be unemployed or retired than non-disabled taxpayers. On the ACS survey, only 40% of the taxpayers with disabilities ages 18 to 59 were employed (full- or part-time), 52% were not working, and the remaining 8% were unemployed in 2004. On the Opinion survey, just over half (51%) of the taxpayers with disabilities indicated that they were working full-time, compared to 75% of the non-disabled taxpayers. The percentage of retired/not working¹¹ respondents to the Opinion Survey was higher for taxpayers with disabilities at 28% compared to only 9% of the non-disabled taxpayers.

Education

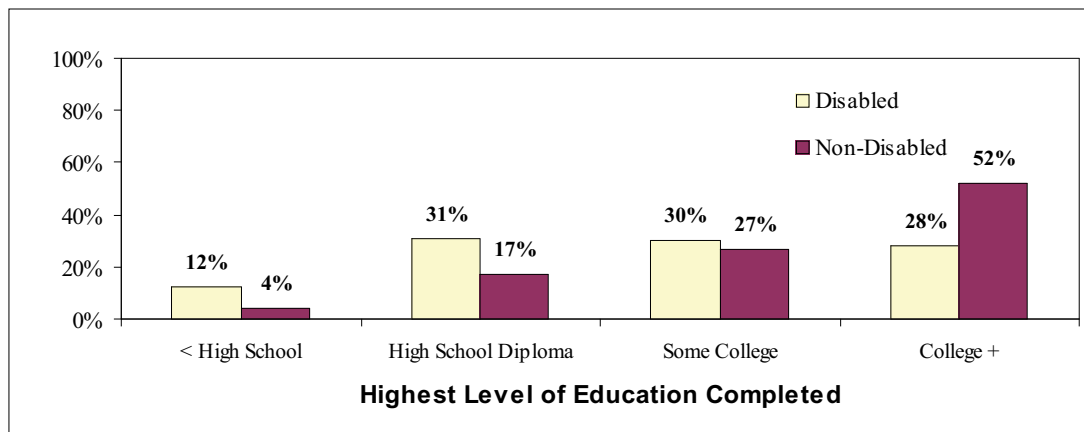
When looking at the US working-age population as a whole, the level of education is higher than in the population making use of free tax preparation sites. But taxpayers with disabilities report having less education than the non-disabled. Twenty-five percent of US residents with disabilities ages 18 to 59 have less than a high school education, according to the ACS. Only 12% of respondents with disabilities to the Opinion Survey reported having less than a high school education, but it is possible some of the difference is attributable to the less educated being less likely to respond to the Opinion survey.¹² The largest difference between taxpayers with and without disabilities responding to the Opinion Survey was those reporting a college education. About 28% of the respondents with disabilities reported having a college degree or higher, compared to 52% of non-disabled respondents.

Additionally, the less educated are less likely to file a tax return. Data from the Forrester Mail survey show that 52% of respondents with disabilities who had less than a high school diploma did not file a tax return, versus 34% of respondents with disabilities who had a high school education or higher.

¹¹ Includes those who are not seeking employment.

¹² We know that US residents with less than a high school diploma are less likely to respond to a survey. The responses to the ACS are weighted by the respondents' geographic and demographic characteristics to reflect the US population as a whole. Since ACS is designed to sample all households over a certain period, one would expect the weights to be uniform if response rates were equal. Yet respondents with less than a high school diploma had the highest average weight given to their responses—that is, fewer of them responded on average, so the responses of those who did respond had to count for more.

Figure 1: Highest Level of Education Completed



Source: Opinion survey respondents ages 18 to 59

Income

Taxpayers with disabilities (ages 18 to 59), first and foremost, have lower incomes than their non-disabled counterparts. The IRS Benchmark Study (2007) found that 51% of the taxpayers with disabilities ages 18 to 59 have an adjusted gross income (AGI) of less than \$20,000 compared to 32% of persons without a disability. Although 27% of taxpayers with a disability have an AGI of \$20,000 to \$40,000, similarly to the 26% of persons without a disability, only 22% have an AGI greater than \$40,000, compared to 42% of persons without a disability. The median AGI reported on their tax returns by taxpayers with disabilities was \$19,100, versus \$33,800 for taxpayers without disabilities.

The high unemployment rate and the generally lower level of education for taxpayers with disabilities are likely contributors to the lower levels of Adjusted Gross Income (AGI) reported by taxpayers with disabilities.

Age

When looking at age as a factor of disability, taxpayers with disabilities are more likely to be

between the ages of 46 and 59 (53%, compared to 32% of the non-disabled taxpayers), which may be a factor in the higher proportion who are retired or not working (28% versus 9% for non-disabled taxpayers). The ACS showed a similar result, with 47% of respondents reporting disabilities being between the ages of 46 and 59. Similarly, on the Opinion survey, the percentage of respondents who indicated that they had a mental, visual or hearing impairment was consistent among the age groups, while the presence of a physical impairment increased with age, going from 1% for the 18-25-year-olds to 12% of the 56-59-year-olds, suggesting that this type of disability may be age-related.

Focusing outreach efforts to the 46-59 population, however, is not likely to assist in reaching unbanked taxpayers with disabilities, because it is probable that taxpayers who acquire disabilities as they age have been long-term members of the workforce, accustomed to paying taxes, and are likely to at least have savings and checking accounts, if not other types of financial products.

Types of Income

W&I Research explored the types of income that residents reported to ACS. Table 1 displays the number and percent of US residents with certain types of income. Respondents with disabilities were much more likely to report Supplementary Security and Social Security income (at least 15% versus 1%) and were much less likely to report Wage income (48% versus 82%).

Despite differences in their levels of AGI, taxpayers with disabilities received similar refunds to non-disabled taxpayers (\$900 versus \$1,000), although they itemized less often than non-disabled taxpayers (29% versus 38%). When they did itemize, however, they were more likely to claim medical deductions (40%

versus 12%)—a finding indicating that a significant amount of taxable income for people with disabilities is needed for medical costs, since medical costs must rise above about 7% of gross income before they can be claimed as deductions. Even though taxpayers with disabilities were twice as likely to claim the Earned Income Tax Credit (EITC) as taxpayers without disabilities (32% versus 16%), the median amount of EITC received by taxpayers with disabilities was less than half of that received by non-disabled taxpayers—a median EITC of \$800 versus \$1,800. The median credit was smaller for disabled taxpayers because they had fewer children eligible to be claimed for the credit.

Table 1: Types of Reported Income from ACS

Income Types	Non-Disabled		Disabled	
	Count	Percent	Count	Percent
Wage	122,143,000	82%	7,936,000	48%
Social Security	1,340,000	1%	2,834,000	17%
Supplementary Security	303,000	<1%	2,520,000	15%
Retirement	3,309,000	2%	1,719,000	10%
Interest, Dividends, Rental	19,011,000	13%	1,453,000	9%
Self-Employment	11,414,000	8%	866,000	5%
Public Assistance	1,681,000	1%	820,000	5%

Source: 2004 ACS respondents ages 18 to 59

Conclusion and Recommendations

Sixteen years after the passage of the Americans with Disabilities Act (ADA), there is growing interest by policymakers, human service professionals, and individuals with disabilities and their families to design a roadmap that encourages participation in the economic mainstream through work, income preservation and asset building. The financial portrait revealed by the two studies highlighted in this report sets a framework for action for government, business leaders, and faith and community-based organizations.

Human and financial assets define the capacities and resources that enable individuals to have expanded choices in daily activities that

enhance the quality of life experience. For persons with disabilities, economic empowerment will impact social status and community participation. For financial institutions, the research findings, while only a glimpse of the market sector, set the stage for outreach and customized services to be tested, refined, and expanded as the purchasing power and financial needs of consumers with disabilities grow. For policymakers at all levels of government, both studies are a wake-up call for policy reform that reduces barriers to economic advancement and builds incentives that encourage income and asset development.

Recommendations for action have been divided into four major areas: research, public education, policy development, and capacity building.

1. Research

The findings from this research provide only a first empirical snapshot of the tax and financial habits and aspirations of working-age Americans with disabilities and their families. A research focus across multiple federal agencies and private foundations would help us to learn more about this target population of adults with disabilities regarding access and use of favorable tax benefits, money management, savings and asset building strategies. Policy barriers and facilitators to income preservation and asset development must be identified and interventions designed and tested to produce evidence-based outcomes with external validity. We must learn more about:

- access and use of the Earned Income Tax Credit by tax filers with disabilities and their demographic profile (race, ethnicity, gender, age, income level, education level, type of disability, employment status);
- workers with disabilities who do not file returns, and their reasons for not filing;
- impact of financial education on money management and savings behavior; and

- impact of various intervention strategies including but not limited to access to transportation and technology, self-directed individual budgets composed of braided public resources, and expansion of traditional savings accounts (529 plans, IDAs, and IRAs) to produce a better economic future.

2. Policy Development

No single federal agency can design and implement a roadmap out of poverty for the target population. Means-tested entitlement programs (such as Social Security and Medicaid) must be reevaluated to raise or waive extremely low income and asset limits for continued eligibility for public benefits. All disability-related public policy must consistently encourage work, savings, and asset building as valued results.

By Executive Order, an Asset Building Work Group led by the IRS SPEC and Treasury and including representatives of each major department (Health and Human Services, Education, Labor, Housing and Urban Development, Commerce, Transportation, Agriculture, and the Social Security Administration) should preview and develop in six months a list of policy options to advance a federal coordinated effort with incentives for private sector participation that will support income preservation and asset building for Americans with disabilities and their families.

Through regulatory change, provide all students with disabilities access to financial education in grades K-12 as part of individual education plans (IEPs). Changing expectations of individuals with disabilities regarding the possibilities of saving and asset building must begin at an early age. The growing movement to bring age-appropriate financial education into the schools should not leave behind students with disabilities.

3. Public Education

The research findings support a multifaceted comprehensive strategy that targets financial service professionals, educators, community and business leaders as well as individuals with disabilities, their families and employers. Specific recommendations include:

- Develop VITA training modules for national distribution that educate VITA volunteers on disability etiquette, disability benefits and tax credits, access and accommodation issues, partnership building with community-based and state-level disability organizations, how to leverage resources to increase services to taxpayers with disabilities, and alternative technology for working with taxpayers with sensory disabilities.

- Develop a research-based curriculum for K-12 introducing young people with disabilities to the American tax system, and the importance and impact of saving and asset-building behavior that starts early.
- Develop alternative disability tax publications that are targeted for people with cognitive and developmental disabilities.
- Provide curricula for enrolled preparers on tax provisions for taxpayers with disabilities who itemize.
- Target younger workers with disabilities for tax and financial service education and free tax filing assistance.
- Convene REI Tour cities yearly through Mayor’s Academy to create a peer learning network across the United States for VITA coalitions expanding outreach to taxpayers with disabilities.
- Encourage state and local asset development summits to bring together financial institutions, government agencies, and community-based organizations to coordinate outreach and marketing that brings persons with disabilities into the economic mainstream.
- Develop an 800 or 211 number that provides specific information about tax filing for individuals with disabilities.
- Provide computer education, computers and internet access for low-income individuals and families with disabilities.¹³
- Create “disability tax folders” (both virtual and real) that provide low-income filers with disabilities an easy system for organizing receipts and other important documents into a file system in preparation for tax day.

4. Capacity Building

In four years, the Real Economic Impact Tour increased the number of free tax filers with disabilities from 7,600 to over 90,000. To achieve real economic impact, the public-private partnerships formed at a community level need technical assistance and

To achieve real economic impact, the public-private partnerships formed at a community level need technical assistance and resources to reach the target population, provide accommodations if appropriate, and connect to other asset-building strategies.

¹³ The Benchmark Survey found that respondents with disabilities were significantly less likely to have a computer at home—59% vs. 76% of respondents without disabilities.

resources to reach the target population, provide accommodations if appropriate, and connect to other asset-building strategies. Recommendations to build the capacity of community partnerships include:

- Create a national disability tax aide program modeled after the AARP program for seniors to expand support to low-income wage earners with disabilities.
- Continue to expand the IRS SPEC Division outreach and focused technical assistance to reach and support the target population in the top 100 markets. Increase coordination among federal agency field office staff to build and support income preservation and asset-building models through the workforce development system, public schools, Social Security benefits counselors, and financial institution consumer education programs.
- Design and test new financial product and service models to meet the needs of the target population with engagement of the Federal Reserve, the FDIC, the Treasury and regulated financial institutions.
- Develop a “good housekeeping” seal of approval for financial institutions that provide customized products and services for clients with disabilities.
- Explore use of mobile technology such as video phones that use real-time sign language interpreters for use in tax preparation at VITA sites and for remote tax preparation.
- Explore new ways to assist taxpayers with disabilities who have difficulty going outside their own with free tax preparation and services (IRS Benchmark Study found 25% of US taxpayers with disabilities have difficulty going outside their home).
- Expand outreach for veterans with disabilities.
- Provide scholarships for VITA coalition leaders to attend all financial industry conferences relevant to underserved markets.
- Continue to research the impact of participation in free tax assistance and other asset-building strategies in the overall economic well-being of individuals and families with disabilities.

Works Cited

- Annie E. Casey Foundation. (2007). *Making Connections*. Retrieved from The Annie E. Casey Foundation: <http://www.aecf.org/MajorInitiatives/MakingConnections.aspx>
- Beeferman, L. W. (2001). *Asset Development Policy: The New Opportunity*. Waltham, MA: Asset Development Institute, Center on Hunger and Poverty, The Heller School for Social Policy and Management, Brandeis University.
- Brookings Institution. (2008). *Metropolitan Policy Program*. Retrieved from Brookings: <http://www.brookings.edu/metro.aspx>
- Federal Deposit Insurance Corporation. (2007). *FDIC: Alliance for Economic Inclusion (AEI)*. Retrieved from FDIC: Federal Deposit Insurance Corporation: <http://www.fdic.gov/consumers/community/AEI/>
- FoodChange. (2006). *Final Report on the 2006 EITC Project*. New York, NY: FoodChange.
- Hartnett, J. (2006). *Educating Democracy: Tax and Financial Service Needs of Working Americans with Disabilities: A Profile of the Utilization and Demographics of the Tax Filing and Financial Service Activities of EITC Eligible Workers with Disabilities*. Washington, D.C.: National Disability Institute.
- Holt, S. (2006a). *National Tax Assistance for Working Families Campaign: 2006 Report to the Annie E. Casey Foundation*. Holt & Associates Solutions.
- Holt, S. (2006b). Research from Casey Foundation Family Economic Success National Program. *NCTC National Conference*. Los Angeles, CA: Holt & Associates Solutions.
- Initiative on Financial Security. (2007). *Savings for Life: A Pathway to Security for All Americans*. New York, NY: The Aspen Institute.
- IRS Wage and Investment Research. (2007). *Disabilities Research Report: Characteristics of Disabled Taxpayers Ages 18 to 59. Study of Filing Patterns and Preferences for Receiving Tax Information & Services*. Washington, D.C.: U.S. Treasury/IRS/SPEC.
- Kahn, A. J., & Kamerman, S. B. (Eds.). (2002). *Beyond Child Poverty: The Social Exclusion of Children*. New York, NY: The Institute for Child and Family Policy at Columbia University.
- Kitsch, L. I. (2006). *REAL Solutions: Solving the Financial Service Needs of America's Working Families*. Madison, WI: Filene Research Institute.
- La Plante, M. P., & Carlson, D. (1996). *Disability in the United States: Prevalence and Causes, 1992*. Washington, D.C.: U.S. Dept. of Education, Office of Special Education and Rehabilitative Services.
- N.O.D./Harris Survey. (2004, June 24). 2004 National Organization on Disability/Harris Survey of Americans with Disabilities. Washington, D.C.
- Newacheck, P. W., Stein, R. E., Bauman, L., & Hung, Y.-Y. (2007). Disparities in the Prevalence of Disability Between Black and White Children, for the Research Consortium on Children with Chronic Conditions. *Pediatrics and Adolescent Medicine*, 157 (3), 244-248.
- Sawhill, I. V. (2003). *One Percent for the Kids: New Policies, Brighter Futures for America's Children*. Washington, D.C.: The Brookings Institution.
- U.S. Census Bureau. (n.d.). 2006 American Community Survey.
- U.S. Census Bureau. (2008, May 27). Facts for Features: Anniversary of Americans with Disabilities Act. Washington, D.C.: U.S. Census Bureau Public Information Office.
- U.S. Census Bureau. (2008). Current Population Survey, Annual Social and Economic Supplement, 2008. Washington, D.C.: U.S. Census Bureau.
- United Way of America. (2008). *Achieving Financial Stability*. Retrieved from Join the Live United Movement: <http://www.liveunited.org/income/>
- Waldrop, J., & Stern, S. M. (2003). *Disability Status: 2000*. Washington, D.C.: U.S. Census Bureau.
- Wang, Q. (2005). *Disability and American Families: 2000*. Washington, D.C.: U.S. Census

Real Economic Impact Tour

Johnette T. Hartnett, Ed.D., Director REI Tour
Michael Morris, Executive Director
Judy Stengel, National Resource Director

Introduction

The Real Economic Impact Tour (REI Tour) with its sponsors, Bank of America, AT&T and Darden Restaurant Foundation, and lead national partner IRS Stakeholder Partnerships, Education and Communication (SPEC) is paving a road out of poverty for millions of working Americans with disabilities with a nationwide grassroots movement of community-based organizations. Since 2005, through an array of new partnerships that are building trusted social and business networks, the Tour provided free tax-filing assistance to 151,751 taxpayers with disabilities with refunds of \$136,374,700. The REI Tour grew from 11 cities in 2005 to 62 cities in 2008.

The business case is clear. One in every five individuals, or 54 million Americans, reports a disability; 20 million families have at least one family member who has a disability; and over one third of American households either report a member with a disability or are impacted by disability. The demographic profile for disability cuts across race, gender, age, and geography.

Thirty to fifty percent of individuals with disabilities report being unbanked or underbanked and desire a relationship with a financial service institution. Fifty- one percent of taxpayers with disabilities earn less than \$21,000 a year and report underutilization of existing tax and financial services. It is

“My American Dream seems simple: to live on my own and be self-sufficient, to live with dignity and independence. I struggle with my finances right now, but I am an optimist – I believe that I can make progress with my job, move forward and become part of the mainstream economy and achieve my goals.”

—Cynthia Battles
2008 REI Tour Adult Blogging Contest Winner
Rutland, VT

estimated that over a billion dollars in tax credits goes unclaimed by individuals with disabilities who are eligible. Persons with disabilities underutilize tax provisions because of lack of knowledge or fear of losing important benefits such as health care.

The Real Economic Impact Tour is a public-private partnership of federal, state and local organizations that promotes self-determination and full inclusion for building a healthy economic future for Americans with disabilities. To become “full citizens” in the 21st century, working Americans with disabilities need access to a growing body of asset building strategies designed for taxpayers with modest incomes.

Recent trends show that people with disabilities are living longer, living more independently and taking on more responsibility for the management of their own budgets and resources.

People with disabilities have an aggregate income that tops \$1 trillion, which includes \$220 billion of discretionary income. Forty-eight percent of people with disabilities report that the Internet has significantly improved the quality of their lives compared to 27 percent of adults without disabilities.

People with disabilities want information on how

to save, where to save, how to plan for the future, how to manage debt and credit, how to buy a home, how to optimize available tax credits, how to use federal work incentives, where to bank,

how to invest, and where to get free tax-preparation assistance.

The investment of our sponsors in the REI Tour is an investment in the financial future of millions of Americans with disabilities today and for many generations to come.

“Most false information out there about taxes and benefits we don’t know is false. People need to know what is true and what is not true. Sometimes word of mouth is not always true.”

—Focus Group Participant

REI TOUR GOAL FOR 2008

The goal of the REI Tour in 2008 was to increase the economic well-being of low-income taxpayers with disabilities. This was accomplished by strengthening and expanding the capacity of grassroots community-based EITC coalitions to increase access to favorable tax credits, financial education and other asset building opportunities for taxpayers with disabilities.

The 2008 Tour was anchored by the overall commitment to expand the economic self-sufficiency of working individuals and families to include taxpayers with disabilities. Thanks to funding from our sponsors, the National Disability Institute provided 31 of the 62 cities with mini-grants and ongoing support, training, and technical assistance. The accomplishments described in this Report were a result of combining the expertise of NDI and IRS in building community-based volunteer partnerships for taxpayers with disabilities with the reputation of Bank of America, AT&T and Darden Restaurants as leaders in corporate philanthropy, financial education and community economic development.

REI TOUR STRATEGIES FOR ACHIEVING GOAL

Three strategies for achieving the overall Tour mission of increasing access to free tax preparation and other asset building opportunities for individuals with disabilities were provided to the 31 grantees for their participation in the 2008 REI Tour tax season. They are:

STRATEGY 1: Increase awareness and understanding about free tax preparation and the number of participants with disabilities through local and national media outreach and education strategies.

STRATEGY 2: Develop, expand and strengthen the capacity of disability workgroups within coalitions and specify roles and responsibilities with the assistance of local volunteers.

STRATEGY 3: Increase the visibility of the importance of the Tour (asset building and tax filing) through planned special events and activities through grassroots partners at the local, state and national level.

INDIVIDUALS AND COMMUNITIES SERVED

The Real Economic Impact Tour is dedicated to improving the financial future of low-income people with disabilities. The Tour is being conducted using the IRS SPEC community-based model that has helped build over 300 volunteer income tax assistance coalitions in the country that nationwide have prepared over three million returns. The Tour is delivered through existing EITC and VITA (IRS Volunteer Income Tax Assistance Program) coalitions in 62 cities that are partners with NDI and IRS SPEC and have volunteered to develop a disability workgroup and identify new partner disability organizations to host free tax preparation sites and eventually become tax preparers and volunteers.

REI Tour cities were chosen from a master list

of the top 100 U.S. cities with disabilities, considering the availability of partner support from the local IRS SPEC offices, interest from existing free tax coalitions, and NDI's relationships with on-the-ground disability organizations including state-level programs and services. Grantees received their mini-grants by February 1, 2008.

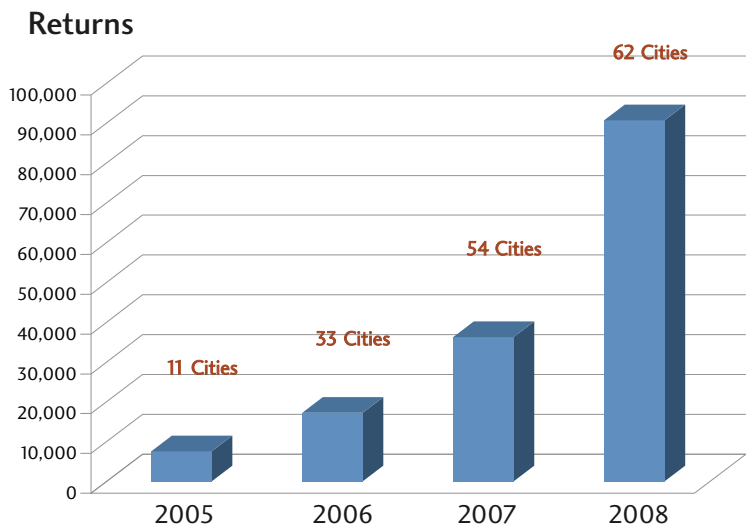
The REI Tour is targeted at EITC-eligible populations (workers from age 25-60) earning under \$40,000 (the 2007 tax year maximum threshold for EITC eligibility). If the taxpayer has a qualifying child, there are no age restrictions on the taxpayer. Only taxpayers without a qualifying child have the "at least 25 and under 65" age restriction.

REI TOUR OUTCOMES

STRATEGY 1:

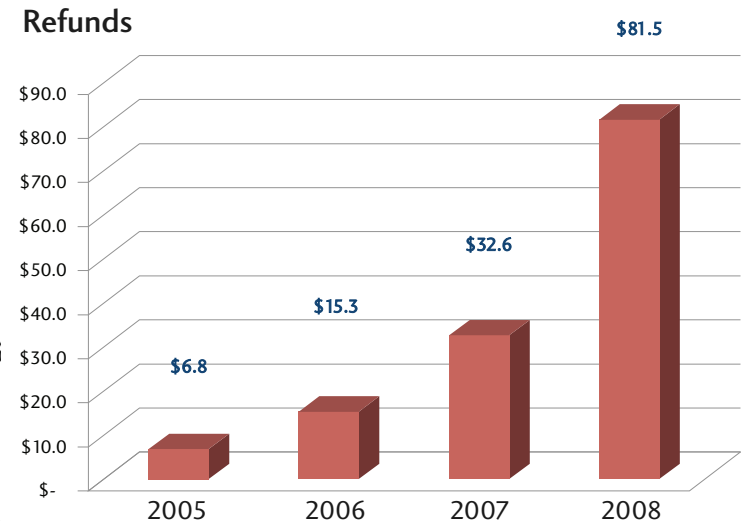
Increase the participation, awareness, and understanding about free tax preparation and asset building strategies for people with disabilities through local and national media outreach and educational strategies.

- 31 Tour cities receiving mini-grants assisted 62,685 taxpayers with disabilities and represented 69% of the overall returns in the 62 cities for 2008.
- 62 of the Tour cities served a total of 90,653 taxpayers with disabilities – a 150 % increase from 2007.



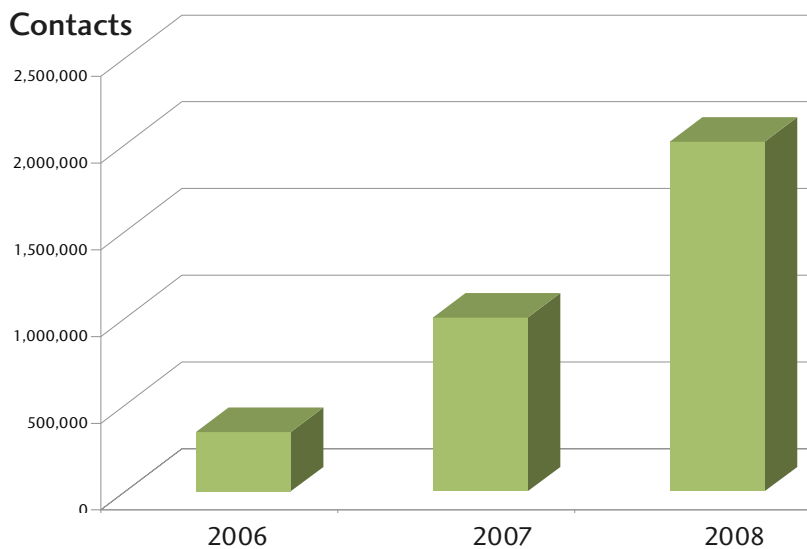
Cities, Returns and Refunds by Year

Year	Cities	Returns	Refunds
2005	11	7,600	\$ 6.8 m
2006	33	17,223	\$15.3 m
2007	54	36,275	\$32.6 m
2008	62	90,653	\$81.5 m



- Increased percentages of people with disabilities participating in Tour activities:
 - In 2005 cities reported range of 5 to 10%
 - In 2006 cities reported range of 10 to 15%
 - In 2007 cities reported a range of 10 to 38.7%
 - In 2008 cities reported a range of 14 to 41% with an average of 18.5%
- Increased outreach contacts made from 2006 by 488% to educate community organizations, individuals and families, and businesses about free tax and financial services. Included fliers, posters, media events, radio/TV promotions, press releases, Mayors' proclamations of special event days, tax blitzes, and newsletters.

Contacts by Year



Year	Cities	Contacts made
2006	33	342,554
2007	54	1,001,042
2008	62	2,016,165

“We never have the opportunity to know stuff like this. Thank you.”

—Focus Group Participant

“Please, simplify tax filing. We do not understand the forms, questions and procedures. There are a lot of bright people here and none of us can figure it out.”

—Focus Group Participant



Statistics from 62 Cities

Disability Initiative City	Number of Disability Partners	Outreach to People with Disabilities (PWD) and/or Families	Free Tax Preparation to PWD and/or Families
Albany, NY	20	1,900	60
Anchorage, AL	8	1,030	1,359
Appleton, WI	1	1,238	1,426
Atlanta, GA	16	4,259	766
Baltimore, MD	1	0	2,119
Birmingham, AL	9	10,320	503
Boise, ID	8	1,154	172
Boston, MA	6	198	1,901
Charlotte, NC	10	850	292
Chicago, IL	30	333	5,894
Cincinnati, OH	17	6,725	742
Columbus, OH	7	0	192
Dallas, TX	24	411,174	694
Denver, CO	8	8,400	4,500
Des Moines, IA	9	175,000	200
Detroit, MI	5	2,955	3,495
El Paso, TX	6	0	0
Flint, MI	7	200	447
Hartford, CT	7	81,000	614
Honolulu, HI	8	1,880	333
Houston, TX	8	420,260	1,372
Indianapolis, IN	15	26,440	2,079
Jacksonville, FL	3	6,000	503
Las Vegas, NV	10	2,000	616
Little Rock, AR	15	1,150	1,235
Los Angeles, CA	15	276,742	1,736
Louisville, KY	4	-	1,463
Madison, WI	12	47,653	1,089
Manchester, NH	5	32,000	292
Memphis, TN	13	3,028	171
Miami, FL	16	7,800	1,397
Milwaukee, WI	6	82,095	2,252
Minneapolis/St. Paul, MN	6	5	8,049
New Orleans, LA	18	46,323	986
New York, NY	18	65,836	5,560
Newark, NJ	2	200	149
Oakland, CA	6	17,675	3,759
Oklahoma City, OK	6	21,327	135
Omaha, NE	1	0	37
Orlando, FL	9	18,325	169
Phoenix, AZ	3	10,500	110
Pittsburgh, PA	8	1,250	142
Providence, RI	32	93,352	1,186
Richmond, VA	5	38,371	7,521
Rochester, NY	6	6,325	1,880
Sacramento, CA	8	2,780	344
Salt Lake City, UT	6	1,000	51
San Antonio, TX	12	715	9,982
San Diego, CA	10	38,836	348
San Jose, CA	5	8,640	680
Seattle, WA	6	0	250
Springfield, MA	4	900	530
St. Louis, MO	5	568	763
Syracuse, NY	3	450	61
Tampa, FL	4	11,500	365
Traverse City, MI	8	200	238
Tulsa, OK	2	4,158	1,038
Washington, DC	6	3,312	347
West Palm, FL	10	7,900	1,698
Wichita, KS	10	83	1,232
Wilmington, DE	4	1,750	2,500
Winston-Salem, NC	3	100	629
Totals	555	2,016,165	90,653

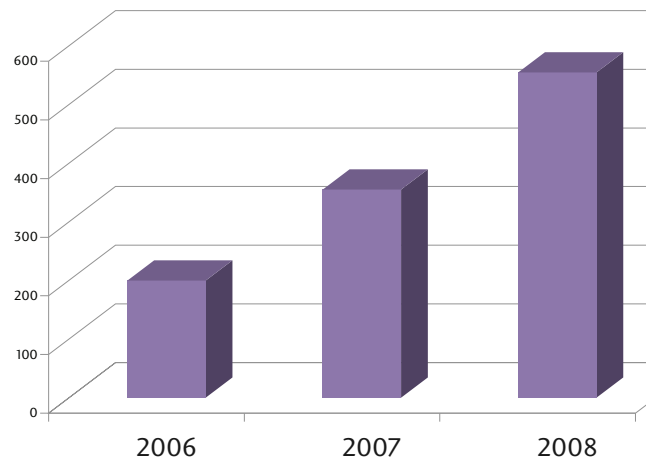
STRATEGY 2:

Develop, expand and strengthen the capacity of disability workgroups within coalitions and specify roles and responsibilities.

- 177% increase in the number of community partners involved in the Tour since 2006:
New partnerships are creating new models among national and local disability and non-disability organizations to disseminate Tour information through Goodwill

Industries, Easter Seals, State Vocational Rehabilitation Offices, Independent Living Centers, United Way, City Government, Mayors' Offices, Governors' Councils on Developmental Disabilities, City Housing Departments, City Offices of Community Economic Development, Veteran Organizations and Community Development Credit Unions.

Local Partners



Partners by Year

Year	Partners
2006	200
2007	355
2008	555

- 1,800 Participants Involved in Four-Part Audio Conference Series: The REI Tour Series was hosted by IRS with NDI facilitating the calls. The Series provided education about the field of asset building for people with disabilities; issues of access and accommodation and disability etiquette; social security income and work incentives; tax provisions and credits for people on and off public benefits; and a best practice session highlighting six cities and their unique models for serving people with disabilities.
- Created peer learning network of grantee cities: Conducted monthly one-hour calls from January – May 2008. Ninety-five percent of grantee cities participated in every call. Cities shared their successes and challenges and provided resources to one another to assist in their outreach to individuals with disabilities.
- Organized and presented Webinar to One-Stop Career Centers: Accessed in 30+ states with over 240 participants, sponsored by the Department of Labor, Employment and

Training Administration, the webinar highlighted best practices for providing free tax preparation at local One-Stop Career Centers. Jacksonville, FL, Detroit, MI, and Milwaukee, WI were the One-Stop Career Centers that presented on their models and strategies. www.doleta.gov/disability/eta_default.cfm.

- ▶ Conducted 20 Technical Assistance “Tour” stops: These stops helped celebrate Mayors’ Disability Proclamations declaring commitment to disability asset building

work; build disability workgroups; provide benefits training and outreach; and recognize Tour supporters such as Bank of America, AT&T, Darden Restaurants Foundation and National Institute on Disability and Rehabilitation Research. City Proclamation templates supporting the Tour and asset building work were provided by NDI and were read by Mayors in: Jacksonville, FL; Oakland, CA; Manchester, NH; San Antonio, TX; Houston, TX; Dallas, TX; Wichita, KS; Boston, MA; and Baltimore, MD.

STRATEGY 3:

Increase the visibility of the importance of the Tour (asset building and tax filing) through planned special events and activities through grassroots partners at the local, state and national level.

- ▶ 13 REI Tour cities were selected and sponsored to send representatives to the second Mayor’s Leadership Academy on Asset Development in Baltimore, Maryland: The Academy provides a day and a half to expand their free tax coalition peer-to-peer learning network for persons with disabilities. A national panel of disability organizations provided the group with valuable information about their programs that are available and free in most communities (the services included programs from Social Security Work Incentives, Department of Treasury – Financial Literacy, Easter Seals, and Goodwill Industries International).

Seventy individuals attended this event and received information about leveraging existing resources to expand work for individuals with disabilities through state and national funding opportunities.

- ▶ Mobile “roving tax” clinics successful in reaching taxpayers with disabilities in urban and rural settings:
- ▶ Use of mobile clinics increased services to designated disability organizations to provide free tax filing assistance. Success with strategy was reported in ten cities, six more than last year.
- ▶ Created Blogging Contest on REI Tour Website www.reitour.org: This featured four months of conversation with youth and adults with disabilities about what the American Dream means to them. Awards made at National Press Club, Fall 2008.

- ▶ Created Economic Stimulus Package special section on REI Tour Website: Held two national calls with over 250 organizations/individuals participating.
- ▶ Started Creating Veteran Outreach Section for 2009 tax filing season: This is in addition to a toolkit for coalitions working with

veterans with disabilities. NDI and IRS SPEC are hosting an informal veterans workgroup that meets twice monthly through a national conference call to build strategies and knowledge for building outreach to the veterans community with disabilities.

Innovative Approaches to Disability Outreach and Community Partnerships

- ▶ Accounting Aid Society in Detroit had a fluent ASL volunteer interpreter at their largest tax site.
 - ▶ Hartford, CT Commission on Deaf & Hearing Impaired worked closely with organizers to provide interpreters for two events.
 - ▶ In Milwaukee an employee with a disability from IndependenceFirst provided disability training at one of the VITA pre-season trainings.
 - ▶ Over 20 college students prepared returns at the Emmett McLaughlin Training Center in Phoenix while earning college credits. Two of them provided services in Navajo and Chinese.
 - ▶ The Denver Real Economic Impact Tour Coalition, in its efforts to reach out to groups around the state and believing it was imperative that the name reflected its goal,
- has changed its name to Colorado Disability Economic Initiative.
 - ▶ Over half of the cities participated in or sponsored special outreach events to insure that all who are eligible for the Economic Stimulus Payments file for them.
 - ▶ In Chicago the Center for Economic Progress and its marketing staff provided copy for a 90-second voicemail message that was broadcast by Inspiration Corporation to 55 Illinois nonprofits who serve people with disabilities.
 - ▶ In its inaugural year the VITA site at the Des Moines Workforce Development offices successfully served over 260 clients.
 - ▶ Oakland/San Francisco distributed over 300,000 flyers in six languages with local tax assistance site information for seven county coalitions.

Real Economic Impact Tour Mission

The Real Economic Impact Tour is devoted to building a better economic future for millions of low-income individuals with disabilities and their families nationwide. Dedicated to the development of a roadmap out of poverty, the REI Tour captures the power of collaboration and innovation. Its mission is to change expectations of communities to benefit from full participation of people with disabilities in the economic mainstream.

Real Economic Impact Tour Objectives

- 1) Increase awareness, understanding and use of beneficial tax provisions and the availability of free tax preparation through local and national media outreach and education strategies.
- 2) Develop, expand and strengthen the capacity of disability workgroups within free tax preparation coalitions at a community level to serve more individuals with disabilities and their families.
- 3) Expand savings and asset development opportunities including financial education through planned special events, training and outreach activities.

The Real Economic Impact Tour (REI Tour) Public – Private Partnerships

Lead Partners

Internal Revenue Service, Stakeholder Partnerships, Education and Communication (IRS SPEC)
National Disability Institute

Sponsors

AT&T
Bank of America
Darden Restaurants Foundation
National Institute on Disability and Rehabilitation Research

Partners

AARP – Tax Aide
The Arc of the United States
Burton Blatt Institute, Syracuse University
Easter Seals
Federal Deposit Insurance Corporation
Goodwill Industries International
National Council on Independent Living
National Federation of Community Development Credit Unions
Shared Horizons Pooled Trust, Washington, DC
Social Security Administration, Office of Employment Support Programs
Taxpayer Advocate Service, IRS
World Institute on Disability
U.S. Department of Education, Office of Special Education and Rehabilitative Services
U.S. Department of Health and Human Services, Office on Disability
U.S. Department of Labor, Employment and Training Administration
U.S. Department of Labor, Office of Disability Employment Policy

New Partners 2008

American Council of the Blind
American Legion
DeafTax.com
Department of Labor Veterans Employment and Training Service (VETS)
National Association of Councils on Developmental Disabilities
National Disability Rights Network (Protection and Advocacy)
National Industries for the Blind
Paralyzed Veterans of America
Small Business Self Employed Division, IRS
United Spinal Association (VetsFirst)
Veterans of Foreign Wars of the United States

2008 REI Tour Grant Cities

Wildwood Programs, Inc., Albany, NY
The Center for Financial Independence & Innovation, Inc. and
Goodwill of North Georgia, Atlanta, GA
Mayor's Commission on Disabilities and the CASH Campaign, Baltimore, MD
Boston Earned Income Tax Credit Coalition, Boston, MA
Family Financial Literacy Coalition/Community Link, Charlotte, NC
Chicago EITC Coalition, Center for Economic Progress, Chicago, IL
Regional EITC Collaborative, United Way of Greater Cincinnati, Cincinnati, OH
United Way of Central Ohio and the Franklin County EITC Coalition, Columbus, OH
Community Council of Greater Dallas, Dallas, TX
The Colorado Disability Economic Initiative Coalition, Denver, CO
ISED Ventures, Des Moines, IA
Accounting Aid Society and Wayne County Asset Building Coalition, Detroit, MI
Co-opportunity/ Hartford Assets Building Collaborative, Hartford, CT
City of Houston, Houston, TX
RealSense Prosperity Campaign, Jacksonville, FL
Goodwill of Southern Nevada, Inc., Las Vegas, NV
Broad Spectrum Community Development Corp., Los Angeles, CA
Southern New Hampshire University
Center for Community Economic Development & Disability, Manchester, NH
Milwaukee Asset Building Coalition, Milwaukee, WI
AccountAbility Minnesota, Minneapolis/St Paul, MN
FoodChange and Children's Defense Fund, New York City, NY
United Way of the Bay Area, Earn It! Keep It! Save It!, Oakland/San Francisco, CA
Goodwill of Central Florida, Orlando, FL
City of Phoenix, Phoenix, AZ
City of San Antonio, San Antonio, TX
San Diego Committee on Employment of People with Disabilities, San Diego, CA
Community Action Project, Tulsa, OK
United Way of Palm Beach County, West Palm Beach, FL
Wichita EITC Coalition, Wichita, KS
EITC Delaware, Wilmington, DE

*The full list of REI Tour cities at the end of this report includes new cities for 2009.
REI Tour funded 31 of 62 cities for the 2008 filing season.*

Most Significant Accomplishments for 62 REI Tour cities in 2008

- ▶ Increased free tax returns prepared by 150% from 2007 and assisted 90,653 persons with disabilities in 2008.
- ▶ Increased refunds to taxpayers with disabilities from 2007 to 2008, from \$32.6 million to \$81.5 million.
- ▶ Created over 2,016,165 outreach contacts in asset building education and media information in 2008.
- ▶ Increased the number of local partners by 56% from 355 in 2007 to 555 in 2008.
- ▶ Provided technical assistance to 1,800 service providers through a four-part audio conference series.
- ▶ Expanded the www.reitour.org resource library website to include information for receiving Economic Stimulus Payments and began posting outreach information for veterans with disabilities.
- ▶ Seventy percent of the 90,653 returns were prepared by REI Tour cities that received a stipend.
- ▶ Increased Congressional awareness and activity in support of tax advantaged savings for individuals and families with disabilities (four bills currently in Congress).
- ▶ Led disability Economic Stimulus Program efforts nationally and hosted two national calls with over 190 organizations.
- ▶ Convened national veteran workgroup that is building strategies to better serve veterans with disabilities in the 2009 filing season.

Community Development Credit Unions Respond to the Needs of the Disability Community

by Valerie Harrison, Terry Ratigan, Daniel Apfel

Summary

Community development credit unions serve the financial needs of poor people who are traditionally overlooked by mainstream institutions. Many people with disabilities also live in poverty and need some specialized services and support. The Federation of Community Development Credit Unions began to pursue an outreach project to identify how its members were serving people with disabilities and ways to improve services and products to this constituency. Programs include focused financial education for adults and youths, education for credit unions on the specific barriers faced by people with disabilities, dedicated Americorps*VISTA volunteers, support for community involvement, assistive technology loans, and tailored financial packages. Survey research shows that the involvement of the Federation has led to increased awareness and the institution of new policies among its member credit unions. The partnerships between the Federation and disability organizations such as the World Institute on Disability and the National Disability Institute will continue to enrich the array of financial services and resources available to people with disabilities.

Introduction and Background

Community Development Credit Unions – also known as “CDCUs” – are regulated, nonprofit depository institutions that offer an economic lifeline to people and communities that have been abandoned by commercial banks and targeted by high-priced check cashers and predatory lenders. The CDCU movement began in the 1930s and grew rapidly during the civil rights era, fueled by a commitment to serve people who were overlooked by traditional financial institutions. Today, a growing network of CDCUs continues to help communities of modest means to protect and build their assets by offering a safe place to save and an affordable

place to borrow. CDCUs are special financial institutions that also provide a variety of essential services, including financial education, consumer credit counseling, small business support, and free tax preparation.

The National Federation of Community Development Credit Unions (the Federation) was founded in 1974 to represent CDCUs across the United States. The Federation’s membership includes more than 230 CDCUs in 45 states and the District of Columbia plus an additional 45 Community Development Partners, some of the world’s largest and most successful credit unions that are not primarily focused on community development but

strongly support the goals and objectives of the CDCU movement. The average CDCU serves an ethnically and geographically diverse, low- to moderate-income, majority female membership. Overall, CDCU members are 69% minority, 74% low- or moderate-income, 28% rural and 61% female.

As cooperatives, CDCUs are owned and managed by their members. This is reflected in their governance; 59% of CDCU board members identify themselves as belonging to a minority group. (CDFI Data Project, 2005)

People with disabilities fit well within the community of people traditionally served by CDCUs: economically disadvantaged with low or negative net worth and little capacity to withstand financial shocks. An estimated 56 million people in the United States live with a disability; 33% of

People with disabilities fit well within the community of people traditionally served by CDCUs: economically disadvantaged with low or negative net worth and little capacity to withstand financial shocks.

these live in very low-income households with an annual income below \$15,000. Nationally, about 2.3 million people who receive SSI payments have no banking relationship, nor do about 2.2 million Social Security recipients (though not all of these

people have disabilities, a large proportion do). (Federal Reserve Bank of St. Louis, 2004) When the government began its push to deliver monthly payments by direct deposit in the mid-1990s, nearly half of disabled recipients were not participating. (Bondar, 1998) Today, 40% of SSI recipients still do not use direct deposit, nor do 15% of Social Security recipients. (SSA, 2008a and 2008b) A 1998 study showed that people with disabilities are three to four times as likely to live in poverty as non-disabled people. (Batavia & Beaulaurier, 2001)

CDCU Disabilities Outreach Project

In 2003, the Federation joined together with the National Disability Institute (NDI), the University of Iowa and other partners to form the Asset Accumulation Tax Policy Project (AATPP). The Federation's objectives within this project were to:

- identify how CDCUs already were reaching people with disabilities, consistent with their mission of serving the underserved; and
- develop models and strategies to increase access to credit union financial services among people with disabilities.

The Federation established the Disabilities

Outreach Project to harness resources and coordinate a wide range of activities in pursuit of these two objectives. The Federation began with a survey of CDCUs to find out how they were already working with the disability community. As the project matured, the Federation identified and publicized successful CDCU initiatives and developed a series of special training programs to help improve outreach and services for people with disabilities. Information about these programs, along with information about the results of the surveys is provided below.

Programs

In addition to the NDI Asset Accumulation and Tax Policy Project, the Federation's Disability Outreach Project encompasses a variety of ongoing programs.

***Each One, Teach Many* (AATPP)**

As foreclosures soar and the economic threats from predatory lenders multiply, the consequences of financial illiteracy become ever more apparent. Across the American landscape, from very wealthy to very poor, financial literacy is measurably declining while the economy demands ever higher levels financial sophistication. Most Americans have enough assets to cover their economic risks, including losses due to mismanagement of their personal finances. People with low incomes and disabilities have few reserves to protect against financial ruin.

One of the most important services offered by CDCUs is personal financial counseling and consumer education to help their members to make better financial decisions and take control of their economic lives. Expanding this effort to specifically focus on people with disabilities has been an essential part of the Federation's goals. The Federation's financial education program, *Each One, Teach Many*, has capitalized on CDCU connections with their communities and volunteer energy to bring financial education to thousands of adults across the country including

more than 1,800 adults with disabilities. Of those 1,800, 682 who previously did not have savings accounts opened such accounts.

In 2006 *Each One, Teach Many* introduced a revised curriculum that included a specific

module for people with disabilities. The disability module, created through collaboration between the World Institute on Disability (WID) and the Federation, includes a facilitators' guide and content of particular interest to people with disabilities. The curriculum was developed to serve the needs of many credit unions that have not previously

The Federation's financial education program, *Each One, Teach Many* . . . bring financial education to thousands of adults across the country including more than 1,800 adults with disabilities.

focused on working with people with disabilities. Since the introduction of this module, *Each One, Teach Many* financial education classes have been delivered to more than 2,040 people with disabilities including 812 who previously did not have bank accounts.

Building Bridges (AATPP)

To help credit unions understand the physical, financial, social and political environment of people with disabilities, the Federation conducted a series of workshops with the World Institute on Disability (WID) and National Disability Institute (NDI). Entitled "Building Bridges and Breaking Barriers," the workshops were conducted for 67 credit unions and other participants including the New York Mayor's Commissioner for Disability Outreach and

representatives from United Cerebral Palsy, IRS Office of Financial Institution Partnerships, and the New York State Banking Department.

AmeriCorps*VISTA (AATPP)

With support from the Corporation for National Service, the Federation's AmeriCorps*VISTA program provided volunteers to support the Federation's disability initiative and help to bring a chronically underserved population into the financial mainstream. In 2005 and 2006 the Federation placed VISTA members who were specifically dedicated to disability outreach in Centers for Independent Living in eight sites in Kansas, Michigan, and Illinois. For example:

- **in Wichita, Kansas** VISTA member **Cheryl Billingsley** coordinated marketing

presentations **for Communities United Credit Union's** products and services and helped develop the credit union's first annual REACH Awards Banquet in 2005 to recognize people with disabilities who succeed in a variety of occupations. Ms. Billingsley has also been honored with a REACH award.

- **In Chicago, Illinois**, VISTA member **Kina Brewer** conducted a needs assessment for members of the **Access Living Center for Independent Living** and collected information on asset building activities at two CDCUs in Chicago, North Side FCU and South Side FCU, to expand access to asset-building projects for people with disabilities in the area.

Communities United Credit Union REACH Awards (AATPP)

The REACH Awards were started in 2005 by the Communities United Credit Union to recognize local people with disabilities who have faced and overcome amazing adversity. In 2006 the credit union hosted its Second Annual REACH Awards Banquet in Wichita, Kansas to recognize four members who reached their personal goals while living with disabilities. According to Angie Franklin, CEO of Communities United CU and creator of the REACH Awards, the event was “an opportunity to honor people who have focused on their abilities, not their disabilities.”

The REACH Awards were started in 2005 by the Communities United Credit Union to recognize local people with disabilities who have faced and overcome amazing adversity.

Case Study: Women’s Southwest Federal Credit Union (AATPP)

In 2006 Women’s Southwest FCU joined the Federation’s Disability Outreach Project as a pilot site. During its first year in the project, the credit union hosted a “Breaking Barriers and Building Bridges” workshop with World Institute on Disability (WID) and established a partnership with the Chamber of Commerce for Individuals with Disabilities (CCID), located in Dallas, Texas. CCID’s mission is to become a primary economic advocate for disabled and disadvantaged individuals by creating an online business community using generally acceptable business principles to improve the economic status of members. The CCID’s programs include:

- providing low-cost computers to individuals with disabilities
- creating computer labs to provide computer-literacy
- developing e-commerce web sites to benefit members who volunteer
- developing an online virtual self-employment course

The partnership with CCID and training from WID has enabled Women’s Southwest FCU to make loans to people living with disabilities that other financial institutions would not. For example, one of the credit union’s members with a disability and a minimum wage income qualified for an auto loan based largely on a long-standing relationship with the credit union. The auto loan has increased the mobility of the member and improved future employment prospects.

New Programs – Looking Forward

Disability Outreach Offering Resources through Service (DOORS)

The DOORS project is designed to address two urgent needs: economic challenges faced by adults with disabilities, especially veterans; and economic challenges faced by individuals and families in low-income communities.

Over three years, the Federation, along with lead partner Points of Light Foundation & Hands On Network and the other program partners, will work with 20 communities to engage adults with disabilities in service opportunities that will build the economic empowerment of individuals, families and communities. The program will also develop resources and materials to assist other Volunteer Centers, disability organizations and economic empowerment programs to engage disabled adults, including veterans. The Federation's role is to provide assistance with asset-building expertise as well as linking CDCUs in the site communities to their local disability communities.

While this program is still in its infancy, CDCUs around the country have successfully linked with disability organizations and volunteer centers. Disability organizations and people with disabilities are accessing financial resources that they did not have before, and CDCUs are working to provide more accessible services.

Disability organizations and people with disabilities are accessing financial resources that they did not have before, and CDCUs are working to provide more accessible services.

Some people with disabilities have volunteered at CDCUs—improving their own financial knowledge, building skills, and helping their community. The Federation is taking a leadership role and working hard to make it a success for everyone involved.

Cooperative Federal Credit Union's Life Skills

Until recently, contacts and collaboration were rare between asset-building programs and advocates for the disability community. Federation partners such as the World Institute on Disability (WID) and the National Disability Institute (NDI) have been leaders in bridging this gap by identifying the common development goals of both groups. The Federation's modification of the *Each One, Teach Many* financial education curriculum, with support from Mizuho Corporate Bank, Ltd.,

was one such effort to make asset-building efforts more inclusive.¹ While some progress has been made with the current generation of adults, little has been done to prepare the next generation of people with disabilities for a more financially stable life.

In 2007 a leading Federation CDCU, Cooperative Federal Credit Union, published *Life Skills: Planning for Your Financial Future*.

¹ Mizuho funded the development of "Building Bridges and Breaking Barriers," the disability component of the *Each One, Teach Many* financial literacy workbook.

The purpose of this curriculum is to

- target teens and young adults with special needs;
- accommodate multiple learning styles; and
- provide comprehensive and practical financial information customized to the needs of the individual students.

The Federation is working with Cooperative Federal CU to adapt and disseminate their *Life Skills* materials through the Federation's Education and Training and Disability Outreach events, using the *Each One, Teach Many* approach to multiply impact by training trainers across the country.

Expanded PRIDE™: Assistive Technologies for People with Disabilities

The financial disadvantages faced by many people with disabilities often are compounded by exorbitant or predatory financing costs to purchase motorized wheelchairs, communications devices, or other assistive technologies that are essential for economic and social independence. In 2006 the Federation's Community Development Investment program developed a special product to help credit

unions offer affordable financing for assistive technologies. Beginning in 2007, credit unions that offer special loans to people with disabilities to obtain these essential technologies will be able to use PRIDE™ deposits (Predatory Relief and Intervention Deposits) from the Federation to share the risks of these loans.

B.E.S.T (AATPP)

Building Economic Success Together (B.E.S.T) accounts are a new goal of the AATPP project. The plan is to design a package of financial services and products to be responsive to the unique needs of customers with disabilities. These products will make it easier to save funds in association with benefit plans or to manage an individual budget under a Medicaid waiver. The program will bundle products and services currently offered by credit unions and other financial intuitions in an easy-to-use package for people with disabilities. The outreach and marketing will include new methods to educate and build trust with this targeted population. The Federation plans to encourage its members to participate in and support this new and important program by offering these packages of accounts when they become available.

Research & Analysis

Before embarking on a program to improve the disability services of member credit unions, the Federation researched how these needs were currently being met by credit unions. In 2004 and 2006 the Federation conducted two surveys of its credit unions to understand their interactions with people with disabilities, as well as the specific products and services being offered to those members.

The results of both surveys showed that few CDCUs specifically track information on members with disabilities, but a large portion of these credit unions also reported that some of their members were regularly receiving at least one type of disability benefit. The survey also

showed that 58% of these CDCUs had a relationship with one or more institutions serving the aged or people with disabilities, and that 70% of surveyed CDCUs indicated that they had at least one product or service specifically tailored to people with disabilities.

In 2006, the Federation conducted a follow-up survey to the project to identify what marketing and outreach strategies for serving the disability community had been successful. The survey also asked about specific products and services that were most valued by people with disabilities.

In the second survey, the median CDCU

indicated that 5% of its members were living with disabilities (3% in the first survey), while the average CDCU had 11% (8% in the first survey). Sixteen percent of the CDCU respondents' aggregate membership had disabilities. Six CDCUs indicated that over 25% of their membership was comprised of people with disabilities. As in the first survey, over fifty

percent of respondents to the second survey indicated that they had a relationship with facilities for the aged or disabled.

The 2006 survey included an additional set of questions on the effect of the Federation's involvement in the Disabilities Project on CDCUs' awareness of issues related to people with

disabilities. Thirty-seven percent of respondents indicated that they had become more aware of disabilities issues since the Federation's involvement in the Project, while 18% of respondents indicated that they had made policy and operational changes to address disabilities issues due to the Federation's involvement. In terms of direct results between the first and second inquiry, there was a 10% increase, to eighty percent, of credit unions offering products and services specifically tailored to people with disabilities, which indicates that Federation outreach was successful in educating the credit unions.

. . . since the Federation's involvement in the Project, while 18% of respondents indicated that they had made policy and operational changes to address disabilities issues . . .

Conclusion

In the last 3 years, the Federation and its members have taken a number of significant steps toward improving outreach and services for the disability community. Every effort has been made to incorporate disability issues in all Federation programs. For example, the Federation's 2007 Financial Literacy Day: Best Practices Forum included a workshop on financial literacy for "people with disabilities and the elderly."

Going forward, the Federation looks to build on these partnerships with NDI and WID, as well as with other disability organizations. While for years the disability community has had limited access to financial institutions and asset-building products and services, we believe that through the efforts of the Federation and our CDCUs, along with our partner organizations, this population will become ever more able to access the resources they need, and have the skills to do so.

Works Cited

- Batavia, A. I., & Beaulaurier, R. L. (2001). The Financial Vulnerability of People with Disabilities: Assessing Poverty Risks. *Journal of Sociology and Social Welfare*, XXVIII (1), 139-143.
- Bondar, J. (1998). Social Security Beneficiaries Enrolled in the Direct Deposit Program, December 1996. *Social Security Bulletin*, 61 (1), 52-61.
- CDFI Data Project. (2005). *Community Development Financial Institutions: Providing Capital, Building Communities, Creating Impact – FY 2005 Data Fifth Edition*. Arlington, VA: CDFI Coalition.
- Federal Reserve Bank of St. Louis. (2004). *Understanding the Dependence on Paper Checks: A Study of Federal Benefit Check Recipients and the Barriers to Boosting Direct Deposit*. Washington, D.C.: U.S. Treasury Financial Management Service.
- SSA. (2008a, September). *Direct Deposit and Check Statistics*. Retrieved September 24, 2008, from Social Security Online: <http://www.socialsecurity.gov/deposit/GIS/data/Reports/T16StateSum.htm>
- SSA. (2008b, September). *Direct Deposit and Check Statistics*. Retrieved September 24, 2008, from Social Security Online: <http://www.socialsecurity.gov/deposit/GIS/data/Reports/T2StateSum.htm>

EQUITY: Bridging the Gap Between the Asset-Building and Disability Communities

by Thomas Foley and Ilia Fong

Summary

Despite the symbiotic relationship between poverty and disability, the need for asset-building opportunities specifically for people with disabilities remained neglected until the end of the 1990s. The World Institute on Disability started an Access to Assets program and then developed the online newsletter EQUITY, the only publication to “bridge the gap” between the disability and asset-building communities. Both the format and the content of the newsletter were developed to emphasize the stated programmatic intent to “narrow the divide, and benefit both communities”. The EQUITY project has produced a valuable resource and an important medium for communication, but behavior change takes time. It is urgent that the EQUITY project continue to capitalize on the established trust, momentum and name recognition that it has built.

An appendix in chronological order inclusive of each issue and topic covered follows the article.

Introduction and Historical Background

Poverty and People with Disabilities

People with disabilities experience some of the highest levels of poverty in the world. Recent World Bank estimates show that people with disabilities may account for as many as one in five of the world’s poorest. (Elwan, 1999) In the United States, according to the 1995 Current Population Survey, 39.7% of working-age persons with disabilities live in poverty. Furthermore, one-third (34%) of adults with disabilities live in households with a total income of \$15,000 or less. (McNeil, 2000) Disability can result in more limited access to

education and employment and leads to economic and social exclusion. Poor people with disabilities are caught in a vicious cycle of poverty and disability, each being both a cause and a consequence of the other. (Department for International Development, 2000)

Disabilities Missing from Asset-Building Programs

Even as early as the late 1990s, a myriad of literature existed demonstrating the positive benefit that asset-building programs have on the lives of people living in poverty.¹ The results of a simple internet search looking for asset-

¹ A primary source of such literature is the Corporation for Enterprise Development, CFED, and its website, www.cfed.org.

building opportunities would likely have included testimonials, examples, and statistics pointing to the benefit of such programs. However, one particular group of individuals was seemingly left out of the asset-building discussion: people with disabilities. (Leydorf, 1999) Where was the literature that includes disability? Where were *those* statistics, examples, and testimonials? For the most part, the asset development wave failed to lift the most over-represented group of people living in poverty: people with disabilities. (O'Neil, 2005)

Asset-building programs may indeed present the potential to alter the cycle of poverty and disability; however, many people with disabilities are falling through the cracks of asset-building programs. (O'Neil, 2004)

As reported by Dede Leydorf (1999), despite the strong evidence linking poverty and disability, advocacy organizations and public policy makers have tended to bypass issues of disability in their reports and policy agenda. Public policy has seemingly created a bifurcation, with separate policies and programs to address poverty and disability. People with disabilities were not invited to participate in the discussions involving asset-building policy initiatives. Furthermore, these policies or initiatives do not address the specific conditions faced by people with disabilities.

Many asset-building initiatives and programs tend to expect that people with disabilities will receive support and services from disability-

specific programs. However, this is not a realistic assumption, since disability organizations do not have the resources to provide these services. (World Institute on Disability, 2001a) In addition, it unnecessarily further segregates people with disabilities from conventional asset-building opportunities.

According to some estimates, 40% of TANF recipients have a disability. (Sweeney, 2000)

For the most part, the asset development wave failed to lift the most over-represented group of people living in poverty: people with disabilities.

These participants may not self-identify as being disabled and the program does not inquire as to one's disability status. These factors, among others, result in the individual with a disability failing to receive appropriate

accommodations. Without these accommodations, it is difficult for a participant to be successful in the program, and thus the cycle of disability and poverty repeats and intensifies.

Lastly, another obstacle for disability inclusion in asset-building programs is the shared misunderstanding about the population's ability to build assets. This misconception from financial institutions, program administrators, and people with disabilities themselves is that they are unwilling or unable to save. (World Institute on Disability, 2001a) People with disabilities receiving public benefits often believe that building assets can jeopardize their income and health insurance. (O'Neil, 2005) Even though means-tested programs can provide additional hurdles, any person with a disability can learn to build assets with appropriate technical assistance.

Bridging the Gap

This was the landscape that existed in the late 1990s for people with disabilities interested in asset-building programs. (World Institute on Disability, 2001b) What was needed was a program to bridge the gap between the disability and asset-building communities. In the end, this program would focus on two simple goals:

1. Increasing the participation of people with disabilities in asset-building programs
2. Assisting asset-building programs with the technical expertise to serve clients with disabilities.

Kathy Martinez, the Executive Director of the World Institute on Disability, and Dede Leydorf, a researcher at the World Health Organization, two pioneers in the field of asset development and disability, met in Oakland, California in 1998 at WID headquarters. The World Institute on Disability is a non-profit public policy center dedicated to the promotion of independence and full inclusion in society of people with disabilities. The culmination of this meeting was ultimately a new program called Access to Assets (ATA). WID's Access to Assets (ATA) program now provides both training and technical assistance to asset-building and disability organizations seeking to improve the inclusion of people with disabilities in poverty reduction programs.

The World Institute on Disability's Access to Assets (ATA) program . . . provides both training and technical assistance to asset-building and disability organizations seeking to improve the inclusion of people with disabilities in poverty reduction programs.

The program needed a publication that could speak to both the disability and asset-building communities. It would have to be accessible to people with varying types of disabilities, national in scope, and capture the flavor and experience of both communities. To reach the

broadest possible audience, both geographically and professionally, the authors adopted an electronic format.

The publication was entitled EQUITY, to embody the goal of the disability and asset-building movements. EQUITY is the voice of the ATA program, and provides the connection

between the disability and asset-building communities. For the individual unfamiliar with asset building, EQUITY brings articles that educate and inspire. For the seasoned asset-building professional, EQUITY advises on how to serve and collaborate with participants with disabilities.

At the time of this writing, EQUITY remains the only publication in any format dedicated to asset-building opportunities for people with disabilities. Additionally, the archived searchable database of EQUITY issues and topics represents the most comprehensive clearinghouse of information on asset building for people with disabilities. Lastly, with four years of documented qualitative data, EQUITY provides the historical voice of the asset-building movement inclusive of people with disabilities.

The Development of EQUITY

The primary foundation for the EQUITY e-newsletter is based on the goal to “narrow the divide between the asset-building and disability communities.” Nicely stated, but the question remained: how, and in what format would EQUITY come to be?

The authors of EQUITY faced the challenge of developing a format as well as presenting content that would be accessible and comprehensible for a very diverse readership. On the one hand, part of the national audience would be seasoned asset-building professionals with a great deal of content knowledge but perhaps a limited exposure to issues facing the disability community. Reciprocally, another part of the readership would include disability professionals with limited asset development knowledge but vast experience with poverty and disability. Individuals with disabilities would round out the readership and would be the greatest beneficiaries of EQUITY.

EQUITY Sections

Perhaps one of the most innovative aspects to the EQUITY newsletter is the manner in which EQUITY covers a topic. The authors chose a format in which one particular type of asset-building opportunity is examined per issue, and within each issue, five areas cover different approaches to the topic at hand. In this way, readers receive an in-depth education about the particular issue from various perspectives.

Feature: The Feature article introduces the particular topic for the month and provides a general but detailed overview of the strategy or asset-building tool. It is written by a recognized leader in the field and is

specifically drafted to be national in scope. It is generally the longest section of the newsletter, between 1500 and 2000 words. The Feature section is intended to provide an introduction to the topic and explain the strategy and mechanics of operation. This section may not even mention disability; it does provide the “nuts and bolts” of the asset-building topic for the month.

Program of the Month: The Program of the Month article draws attention to the work of a particular asset-building program and illustrates how it serves the specific needs of participants with disabilities. Often, particular advice or resources are discussed so other practitioners can benefit. This section of the newsletter can range between 750 and 1000 words, and is usually written by a program administrator. This section of EQUITY clearly illustrates the ease with which people with disabilities can be included in asset-building programs and serves as a “best practices” highlight for the field.

Profile the month: The Profile of the Month spotlights a person with a disability who is currently participating in the type of asset-building program illustrated for the month. This section humanizes the asset-building process for people with disabilities. These articles are not merely opportunities for cheerleading, but often convey the difficulty and hardship faced and the drive necessary to achieve. This section puts a real face to the story of asset development and personalizes the process along the way. This article often is written in interview format, and runs between 500 and 750 words.

Special Section: The Special Section is included only to highlight extremely timely information such as policy announcements, changes in relevant law, or other updates of information critical to either community.

The ATA program has a strong policy component, and often this section is used to highlight policy updates and inform the audience on national issues affecting disability asset building. The length of this section depends on the topic, but does provide an important outlet for breaking news and policy actions.

Tip of the Month: The Tip of the Month highlights an interesting or valuable strategy or resource related to the topic area for the month. The tip provides the opportunity to directly address one aspect of asset building in a brief decisive manner.

Responds: The Responds section of the newsletter follows a basic question/answer format in which members from either the disability or asset-building community can ask specific target questions and receive an honest and open response from the editors. This section, as well as the Tip section, tends to be relatively shorter in length with 500 words or fewer.

EQUITY also includes a section for upcoming conferences from both the disability and asset-building communities. The resources section of EQUITY provides a list of publications and websites related to the topic of the month.

These resources provide an opportunity to further investigate the topic of the month.

Targeting Multiple Audiences

Part of EQUITY's strategy is to address multiple and diverse audiences through targeting each section of the newsletter to a slightly different audience. This approach helps to provide EQUITY with its unique voice, while remaining inclusive of the needs of all readers. For example, the Feature article may be general in scope and targeted toward the asset-building community, while the Program of the Month would specifically include asset work and the disability community. The Profile article directly speaks to the individual with a

disability, while the Tip and the Responds section usually take turns addressing the disability service provider and individuals with disabilities.

By examining the single topic of the month from these multiple perspectives, EQUITY is able to provide a unique in-depth analysis of the disability and asset-building community. One of the main strengths of the EQUITY approach is the ability for both communities to learn from one and other in the same newsletter. EQUITY provides the medium to learn about complex disability and asset issues from actual people who are on the ground. The voice of EQUITY starts with the general, moves to the specific and concludes with the personal.

The voice of EQUITY starts with the general, moves to the specific and concludes with the personal.

EQUITY Accomplishments and Deliverables

Since the inception of the EQUITY newsletter more than 40 issues have been published and distributed to over half a million people. EQUITY remains the only publication dedicated to building a bridge between the disability and asset-building communities. As mentioned earlier, searching the internet for asset building in 1998 would likely have resulted in many stories and examples of outstanding asset-building opportunities. Run an internet search for asset building today, and you will find EQUITY.

The EQUITY project has resulted in:

- The only national clearinghouse of information on income and asset development activities for people with disabilities, service providers, VITA coordinators, community organizations, public agencies and families to increase the ease with which needed resources can be readily identified.
- An up-to-date searchable database of asset-building activities available to providers and people with disabilities.

Since the inception of the EQUITY newsletter more than 40 issues have been published and distributed to over half a million people.

- Identification of promising practices in financial counseling and banking products for providers to serve people with disabilities.
- A one-stop information resource for people with disabilities to learn about and connect with the range of income and asset services that people typically need.
- Through its association with the Asset Accumulation and Tax Policy Project (AATPP), Access to Assets and EQUITY have forged a partnership with the National Federation of Community Development Credit Unions to increase outreach to and asset-building opportunities for people with disabilities.

Some of the outcomes from this association include:

- Comprehensive but tailored financial services to families that will increase income and assets of low- to moderate-income people with disabilities.
- Public policy and systems improvements to benefit services and products available to low- and moderate-income people with disabilities.
- Cooperation among service providers, financial institutions, public agencies, policy organizations, and others to provide and develop effective income and asset development strategies that include people with disabilities.

Conclusion

Over the last four years, EQUITY has been on the ground and in the trenches, building the bridge between asset building and the disability community.

Simply put, the bridge has been built. It is only a footbridge, and a strong footbridge needs to be reinforced, supported, and broadened. We have built the infrastructure and trust of thousands of individuals and systems. EQUITY has collaborated with the National Disability Institute and the Real Economic Impact Tour, with the National Federation of Community Development Credit Unions, with Southern New Hampshire's School of Community Economic Development, promoting free tax preparation, matched savings plans, and other asset-building strategies.

This is a tremendous beginning, but it's an even greater opportunity for asset development in the disability community:

- Capitalizing on the name recognition of EQUITY to reach even more of an audience.
- Continuation of capacity building and technical assistance to the asset-building community.
- Furthering of the awareness of the need for asset-building opportunities in the disability community.
- Having a real impact on the economic lives of people with disabilities.

All these things are possible with appropriate programmatic supports for continuing research and publishing opportunities.

Behavior change takes time. A next generation of research is critical to the disability community. This would allow further analysis of the interrelationships among multiple asset-building tools. It is crucial to determine how the leveraging of these inter-related tools, including EQUITY, can provide a cumulative impact to promote asset development in the disability community. The consistent voice of EQUITY has been the omnipresent beacon bridging the asset development and disability community over the last four years. It is crucial to continue and capitalize on this consistent and trusted presence in both communities.

Works Cited

- Department for International Development. (2000). *Disability, poverty, and development*. London: DFID. Available at: <http://www.dfid.gov.uk/pubs/files/disability.pdf>
- Elwan, A. (1999). Poverty and Disability: A Survey of the Literature. *Social Protection Discussion Paper Series* (9932). Available at: <http://siteresources.worldbank.org/DISABILITY/Resources/280658-1172608138489/PovertyDisabElwan.pdf>.
- Leydorf, D. (1999). *Where Poverty Meets Disability*. Oakland, CA: World Institute on Disability.
- McNeil, J. M. (2000). Employment, Earnings and Disability. Washington, D.C.: U.S. Bureau of the Census. Available at: <http://www.census.gov/hhes/www/disability/emperndis.pdf>.
- O'Neil, M. (2005, October). A Perfect Fit: People with Disabilities Building Assets. *EQUITY e-newsletter*. Available at: <http://wid.org/programs/access-to-assets/equity/equity-e-newsletter-october-2005/a-perfect-fit-people-with-disabilities-building-assets>
- . (2004, Summer). Benefits to Inclusion: A New Market in People with Disabilities. *EQUITY e-newsletter*. Available at: <http://wid.org/programs/access-to-assets/equity/equity-e-newsletter-summer-2004/benefits-to-inclusion-a-new-market-in-people-with-disabilities>.
- Sweeney, E. P. (2000). *Recent Studies Indicate that many Parents Who Are Current or Former Welfare Recipients Have Disabilities or Other Medical Conditions*. Washington, D.C.: Center on Budget and Policy Priorities. Available at: <http://www.cbpp.org/2-29-00wel.pdf>.
- World Institute on Disability. (2001a). *Individual Development Accounts (IDAs) and People with Disabilities: What IDA Providers Need to Know*. Oakland, CA: WID. Available at: <http://wid.org/publications/individual-development-accounts-idas-and-people-with-disabilities-what-ida-providers-need-to-know>.
- . (2001b). *Policy Brief: Use of Individual Development Accounts by People with Disabilities: Barriers and Solutions*. Oakland, CA: WID. Available at <http://wid.org/programs/access-to-assets/policy-briefs/policy-brief-use-of-individual-development-accounts-by-people-with-disabilities-barriers-and-solutions>.

Appendix

EQUITY e-newsletter Issues: Date and Topic

October 2007: Mentoring: Investing in Yourself and Your Professional Future

September 2007: Weed and Seed: It's Not a Project or a Program—It's a Strategy!

Summer 2007: Creating Affordable, Accessible Housing Through Collaboration

June 2007: Structured Settlements—Financial Planning for the Future

May 2007: Policy in Action: Fighting for Equitable Inclusion

April 2007: Including People with Developmental Disabilities in the Ownership Society

March 2007: Supporting Recovery for People with Mental Illness through Building Assets

Winter 2007: Tax Time: People with Disabilities Making a Real Economic Impact

December 2006: Oregon Asset Building: Working toward Full Inclusion

November 2006: Disabling Debt: Which Comes First?

October 2006: Election 2006: Mobilizing the Disability Vote

September 2006: LIFE Accounts: New Options for People with Disabilities to Build Assets

August 2006: Community Land Trusts: Ensuring Permanently Affordable, Accessible Homeownership

Summer 2006: Accessible Financial Literacy

May 2006: Telework: Home-based Asset Building

April 2006: Pooled Special Needs Trusts: Opportunities & Challenges

March 2006: Self-Directed Services & Asset Building: Choosing Your Own Path to Economic Self-Sufficiency

Winter 2006: Tax Time: People with Disabilities Filing, Earning, and Saving

December 2005: Disability and Asset-Building Communities Working Together

November 2005: Honoring Disabled Veterans through Economic Empowerment

October 2005: Democratizing Asset Building: Mobilizing Action in the Disability Community

September 2005: Building for the Future—Youth Asset-Building Initiatives

Summer 2005: HUD's Family Self-Sufficiency (FSS) Program: Saving for Economic Independence

June 2005: Micro-enterprise: Developing Disabled Entrepreneurs

May 2005: State Asset Building—Financing Full Inclusion

April 2005: Making Tax Time Pay for People with Disabilities

March 2005: People with Disabilities in Native Communities Building Assets

February 2005: Building an Inclusive Ownership Society

January 2005: Making Tax Time Pay for People with Disabilities

December 2004: The Future of Asset Building for People with Disabilities

November 2004: Entrepreneurial Women with Disabilities: Creating Their Own Paths

October 2004: Celebrating Disability Awareness Month

September 2004: The Future Looks Bright: Youth with Disabilities Planning Their Own Destiny

Summer 2004: Connecting the Dots: Corporate Finance, Asset-Building, and Disability Communities Working Together

June 2004: Unrealized Potential: Latinos with Disabilities and Asset-Building Programs

May 2004: Entrepreneurs with Disabilities: Opportunities for Independence

April 2004: Web Site Accessibility

March 2004: Public Disability Benefits & Asset Building

February 2004: Introduction to Asset Building & Disability

DANIEL APFE

Program Associate, Education and Training
National Federation of Community Development
Credit Unions

THOMAS FOLEY

World Institute on Disability

ILIA FONG

World Institute on Disability

VALERIE HARRISON

Credit Union Program Officer/Disability Outreach
Coordinator, National Federation of Community
Development Credit Unions

JOHNETTE T. HARTNETT, Ed.D

Director of Research, National Disability Institute
and

Principal Investigator, Asset Accumulation and
Tax Policy Project

Law, Health Policy & Disability Center
University of Iowa, College of Law

STEVEN MENDELSON, JD

Senior Tax Researcher

Law, Health Policy & Disability Center
University of Iowa, College of Law

MICHAEL MORRIS

Director, National Disability Institute
CEO, Burton Blatt Institute Syracuse University

TOBEY PARTCH-DAVIES

Director, Center for Community Economic
Development and Disabilities,
Southern New Hampshire University

TERRY RATIGAN

Grants Officer, the National Federation of
Community Development Credit Unions

JOLAN RIVERA

Assistant Professor

Chair of the MA CED Policy Program
School of Community Economic Development
Southern New Hampshire University

JUDY STENGEL

National Resource Director
National Disability Institute

SNHU School of Community
Economic Development

A School of Southern New Hampshire University

Published by Community Economic Development Press
Applied Research Center in CED
School of Community Economic Development
Southern New Hampshire University
2500 North River Road
Manchester, NH 03106