Youth Financial Empowerment

The Youth Financial Empowerment initiative creates individual development accounts (matched savings accounts) for youth who are aging out of the New York City foster care system.

Agency	*Start Date*	*Number Served per year* [1]	*CEO Budget (City FY 08)*	*Total Budget (City FY 08)*
The Administration for Children's Services	January 2008	100	$300,000	$1,438,900

Problem Statement

Most young people leaving foster care have no permanent connection to a family, depriving them of the financial assistance and support that a family might ordinarily provide to a young person transitioning to adulthood. Historically, more than one in four New York City youth aging out of the foster care system becomes homeless.[2] Studies indicate that more than half of all youth leaving foster care have not graduated from high school. Twelve to eighteen months after leaving the foster care system, only about 38% are employed. The median salary of those youth who manage to find employment is lower than that of a full-time worker receiving minimum wage.[3]

Research and Evidence

Individual Development Accounts (IDAs) have shown great promise as asset building tools. A rigorous systematic study, analyzing the contributions and outcomes of 2,364 IDA participants over a 6 year period (1997-2003), concluded that program characteristics (i.e., monthly savings targets, financial education, withdrawal restrictions) rather than income levels were most strongly linked with saving performance.[4]

Research has also shown that accumulating material assets has positive social and psychological outcomes for young adults; however, little research has been conducted on the specific effects of asset building for foster care youth. As noted in a recent report by the Youth Transition Funders Group of the Foster Care Work Group, "because children and youth are among those most deeply affected by poverty, they in particular, need opportunities to learn how and why it is important to build assets. Foster youth and young adults leaving foster care are a subset of disadvantaged young people for whom the need to encourage savings and asset development is even more urgent." [5]

The Youth Financial Empowerment (YFE) program will provide important resources for young people aging out of the foster care. In addition, the evaluation of the YFE program, which will focus on specific outcomes for foster care youth, will fill an existing gap in research on the effects of asset accumulation for this population.

Program Description

The YFE initiative supplements existing support services for youth who are aging out of the foster care system. By matching deposits at a 2:1 ratio and requiring participants to work with a financial counselor and attend financial literacy workshops, the YFE program will help young adults save for housing, education, and career investments.

State regulation entitles youth aging out of foster care to a monthly stipend funded by the federal government with state and local contributions. Using these stipends, earnings from work and other income, participants may contribute up to $1,000 to their IDAs. Deposits will be matched at a 2:1 ratio with funds from private foundations, and the federal government.[6] City funds are for program expenses and do not cover participant savings matches. Participants may apply their IDA savings to investments towards their futures, such as tuition fees, business startup costs, and housing expenses, including down payments for purchases or the first and last months rent and security fees for rentals.

Target Population

The YFE program serves foster care youth ages 16-21 that are aging out of the foster care system.

Expected Outcomes

Short-Term:

- Participants will establish savings and transaction accounts from federally insured financial institutions
- Participants will increase their financial management skills and knowledge

Long-Term:

- Enable participants to make purchases towards housing, education, or business ownership
- Improve housing, education, and employment outcomes for participants
- Increase participants' savings and use of bank accounts

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[1] This number represents the number of youth served during the first year of program operation. A total of 450 youth will be served by the program over the next five years.
[2] CEO Report, 33.
[3] "Connected by 25: A plan for investing in successful futures for foster youth 10." The Youth Transition Funders Group Foster Care Work Group with the Finance Project, 2005.
[4] Schreiner, Mark, Margaret Clancy, and Michael Sherraden, "Saving Performance in the American Dream Demonstration: Final Report." Center for Social Development, Washington University in St. Louis, 2002.
[5] See note 3.
[6] The total amount of the match is $2,000.00 for the length of the program.