



# PATHWAYS

*to Getting Ahead*

Joint Project of

**Public and Community Affairs Department**

**Federal Reserve Bank of Boston**

and

**Asset Development Institute**

**Brandeis University**



# PATHWAYS

## *to Getting Ahead*

**September 2003**

**Principal Authors:**

**Larry W. Beeferman, Director**

**Sandra H. Venner, Associate Director**

Asset Development Institute

Center on Hunger and Poverty

Heller School for Social Policy and Management

Brandeis University

**Contributors:**

**Marilyn E. Weekes, Assistant Vice President and**

**Community Affairs Officer**

**George Samuels, Supervisor**

Public and Community Affairs Department

Federal Reserve Bank of Boston

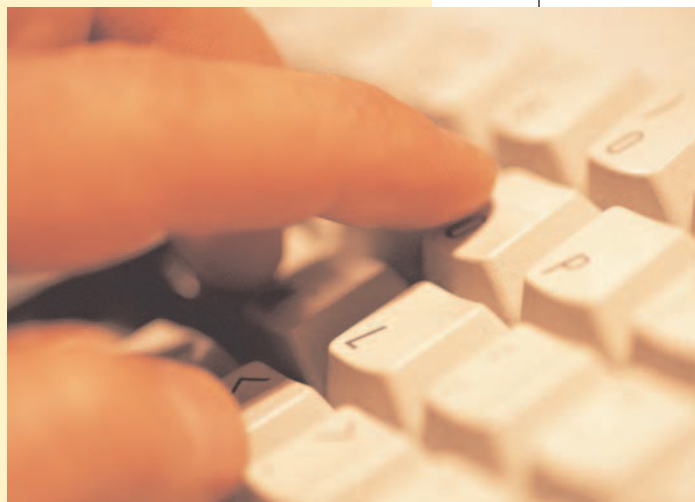
# ACKNOWLEDGEMENT

The authors and editors of this report thank the many individuals who reviewed the draft document and offered insightful guidance with a keen eye to its many potential uses. We also thank the staff of the Center on Hunger and Poverty and the Federal Reserve Bank of Boston for their assistance with editing, production, and distribution. We want to thank John Galligan of the U. S. Department of the Treasury for his initial contributions.

The views expressed are not necessarily those of the Federal Reserve Bank of Boston or the Federal Reserve System. Information about other organizations should be considered strictly informational, and not as an endorsement of their activities. The pictures and images contained in this publication have been used with permission of the owners and may not be downloaded, copied, or used separate or in any manner other than as part of this publication. This publication, or excerpts of it, may be reprinted if the source is credited and the foregoing disclaimer is used. Please send copies of the reprinted materials to: Marilyn Weekes, Public and Community Affairs Department, Federal Reserve Bank of Boston, P.O. Box 2076, Boston, MA, 02106-2076 and to Larry Beeferman, Center on Hunger and Poverty, Asset Development Institute, Brandeis University, Mailstop 077, Waltham, MA 02454.

# TABLE OF CONTENTS

<b>Introduction</b>	
What you can learn from this booklet	1
How to use this booklet	1
Moving ahead	2
<b>Knowledge and Skills: Where the Path Begins</b>	<b>3</b>
Starting with basic education	4
Getting the knowledge and skills to advance	4
Exploring your choices for assistance to pay for college	6
Staying on the career ladder and moving up	8
Applying what you know to starting your own business	9
<b>Jobs Plus: A Path to More Than a Paycheck</b>	<b>11</b>
Finding a job and the benefits that go with it	11
Making the most of what your job offers	12
Gaining other benefits based on employment	14
Getting by when your earnings are limited	16
Managing your money	19
<b>Savings and Investments: Advancing Along the Path</b>	<b>22</b>
Starting simple: Saving	23
Saving for the long haul: Investing in a home	26
Saving for the long haul: Investing in other ways	29
Managing savings and investments wisely	32
<b>Links to Informational Web Sites</b>	<b>33</b>
<b>Sources of Statistical Data</b>	<b>39</b>
<b>About the Center and ADI &amp; About the FRB of Boston</b>	<b>40</b>





# INTRODUCTION

## **What you can learn from this booklet**

This booklet is about making choices that can move you along the path toward the economic future you want for yourself. It's also about increasing the chances that you attain the future you choose to seek. Making the best choices and increasing your chances aren't easy. So you need to know what pathways lead from where you are to where you want to be. You need to know about ways to get on the path you pick, how to stay on it, and how to move ahead on it. This booklet offers you that kind of information.

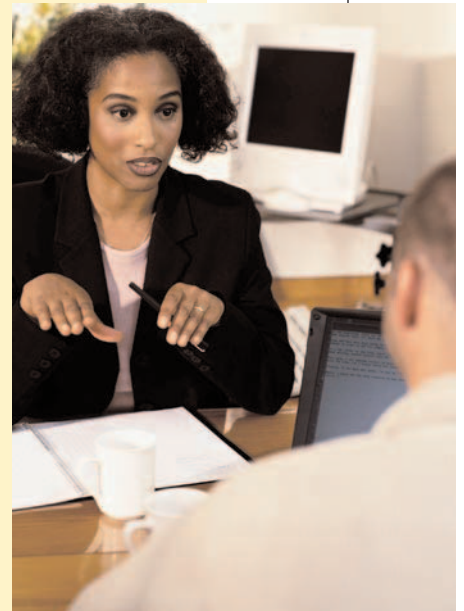
This information is about "assets" you can build. Assets are the capacities and resources that people need to succeed in today's economy. They include the following:

- Knowledge, skills, and experience that you need to get a job and move up.
- Jobs and the benefits they give you beyond that very important paycheck, and also resources that boost your income when your earnings fall short or jobs aren't available.
- Financial resources, such as money in the bank or other kinds of savings and investments such as stocks, bonds, and real estate. These resources can get you through a personal emergency or crisis, help you become a home owner, start a business, pay your way through school, or make life in your later years that much more comfortable.

In many ways, having a real chance at success is about what you can and should do for yourself in each of these key asset areas. But, people usually do not build assets by their own efforts only. People know that they need to join together, as a community, to provide help for one another in different kinds of ways. For example, they participate in local community and neighborhood organizations to build a safer and more livable and prosperous community. They also act as responsible citizens by educating themselves and thinking about public policies that can make a difference. As you will see, the larger community provides many of the resources that can help you move along your path. As much as we have already done as a community, there is more that we can do to help one another succeed.

## **How to use this booklet**

This booklet is divided into three sections. Each describes pathways you can take to increase your capacity and resources and thereby build your assets. The sections cover these areas:



## ■ **Knowledge and Skills: Where the Path Begins**

Getting the knowledge, skills, and experience you need for a good job

## ■ **Jobs Plus: A Path to More Than a Paycheck**

Finding a job, getting the most out of a job, and getting by when your earnings are limited

## ■ **Savings and Investments: Advancing Along the Path**

Setting money aside and building a nest egg for future financial security

Each section will tell you why building that kind of asset is important to your choices about the future and your chances of success. Each section begins with information about what it takes to get started on the path to building that kind of asset. It then offers additional information about how to stay on that path. You may have questions or want to learn more about what you can do. You can find out about how to connect – in person, by phone, or through the Internet – with others who can help make things happen for you. Most importantly, you will learn about financial and other resources that could make a real difference to your getting a start. You will find out about people and organizations ready to give you advice and support in moving ahead.

The green shaded portions of each section feature “ways to broaden the path.” Why is this important? Despite the many resources that are available to you, you and others may not have enough resources or the right kind that you need. To do something about this, you can learn about choices that we, as a community, have and what we must do to make the best choice. The next step is up to you. You might share with others what you have learned and decide upon what action to take. That action could include participating in discussions about the issues and ways to deal with them as a member of your community and a citizen. If you do, you will help yourself and others have a better chance at gaining a share of a bright economic future.

### **Moving ahead**

Deciding what next step to take won't always be simple or easy. Making it successfully won't always be quick. But use the know-how this book offers and start yourself on the path to a brighter economic future by seeking out the resources that are out there for you. If you do, you will be better prepared and more confident in making your way. Good luck!

You might more easily get the information you need by accessing the web sites listed in this booklet. You will find them as you read along. They are also listed at the end of the booklet. If you don't have web access at home, you may be able to gain it at places such as schools, libraries, and community technology centers.



# KNOWLEDGE AND SKILLS:

## *Where the Path Begins*

Knowledge, skills, and experience are “assets” that you acquire throughout your lifetime. They are as valuable to you as money in the bank or the home you hope to own. In fact, your level of knowledge and skills will likely affect how much financial wealth you will build up through the years.

Virtually any job, no matter what it is, can provide valuable experience and give you an opportunity to show that you are a good employee. But over time you may find you need to earn more to cover your basic living expenses and begin to save and invest. In today’s economy, your chances to qualify for a good job, and the

paycheck and benefits you gain from it, depend upon the knowledge and skills you have now and build on over time. You can acquire these in school, at the workplace, or in other settings.

But the gains that come from building your knowledge and skills are not just valuable to you. They can also benefit the people who live near you. If you earn more, you are likely to spend more at the businesses in your neighborhood and elsewhere. If you are better informed and get involved in your community, you can help make sure that wise decisions are made that will improve the quality of life for you and your neighbors.

For these reasons and many others, it has long been considered to be in the interest of the community to help people acquire the knowledge and skills that can lead to success. Therefore, private and public resources are combined, and community leaders and public officials work together to provide support for training and education. Over the years, people from all types of backgrounds have benefited from these programs. But others miss out because they do not know about available programs, or do not qualify for programs, or there are too few openings available.

In this section, you will learn about the steps you can take to build your knowledge and skills throughout your lifetime. As you follow each of the steps listed below, you will also find information about programs and policies that can help you and others move along pathways to get ahead.



- Starting with basic education
- Getting the knowledge and skills to advance

- Exploring your options for assistance to pay for college
- Staying on the career ladder and moving up
- Applying what you know to starting your own business

### Starting with basic education

You have heard many times that it is important to have at least a high school education. There is good reason for this. Most people with less than a high school education earn substantially less than others who have a high school diploma or GED (General Educational Development) certificate. From the chart below, you can see that the typical annual income for someone early in their career, who is working full-time and is a high school graduate (but has not attended college), is already \$5,000 more than that of someone who does not have a high school education.

But to really prepare yourself for today's job market, you need more than a high school education. Even many "entry-level" jobs require more than good reading, writing, and math skills. You must be able to pick out important information and use it to solve problems.

Also, in many jobs, you work as part of a team with your fellow employees, not alone. So you have to be able to communicate clearly and work together with others on projects. If English is not your native language, you may need to speak, read, and write well in the language of the workplace – English.

If you don't have a high school education and the other skills you need for today's jobs, it is not too late. In many locations across your state, at different

times of day and on weekends you can take classes to earn a GED or learn English or build other valuable workplace skills. These are known as adult basic education (ABE) programs. Visit <http://www.literacydirectory.org> to find a program in your area. You can also get help in locating an ABE program through your local one-stop career center. In addition to helping you find a job, these centers can link you to training providers and may assist you with paying for the cost of training. To find the one-stop center nearest you, visit <http://www.careeronestop.org> and enter your zip code.

### Getting the knowledge and skills to advance

Clearly, getting high school credentials and basic job skills is important. But the value of education and skills training does not stop there. Each year of formal education beyond high school adds thousands of dollars to your yearly earnings. This can really make a difference over time. On average, between the ages of 25 and 65, people who are just high school graduates will earn a total of \$1.2 million (in 1999 dollars). But those who hold a bache-

### What You Can Expect to Earn in a Year

Education	Median* Income
9th to 12th Grade, But No Diploma	\$ 17,282
High School Graduate/GED	22,078
Some College/No Degree	25,358
Associate's Degree	29,033
Bachelor's Degree	36,526
Master's Degree	41,303

U.S. Census Bureau, September 2002

\* "Median" means middle point of all incomes in that category.

Income shown is for workers 25 to 34 years old in 2001.

## Accessing basic education

Many people want to take adult basic education (ABE) classes to earn a GED, learn to speak English for the workplace, or to build other valuable workplace skills. There can be long waiting lists of people who want to start a class, especially for classes that teach English to those people who speak a different primary language. The demand for available seats is generally greater in urban areas, but people living in rural areas who want to attend classes run into different problems, such as difficulty with transportation or child care. The result is that many individuals who want to learn to gain employment or a better job, cannot access the resources to do so.

Help in finding an ABE or other training program and, perhaps, paying for it, is available from local one-stop career centers. These centers have been set up across the country to help a wide array of people find employment or better jobs. They provide information about job openings, assist with the search for a job, and link people to ABE and other training programs. People who need to update or increase their skills to find employment may be given Individual Training Accounts (ITA)s to pay for qualified training providers. ITAs have a value that ranges from \$1,000 to \$10,000 and pay for up to six months to two years of training depending on the area and the type of training. Although you may be told that these funds aren't available or there are no openings for the training program, it is important to make it known they are needed. To find out more about ITAs and policies and programs that affect the training that is available to you and others, check out these reports on the web, [http://www.workforcealliance.org/who/platform\\_wia.shtm](http://www.workforcealliance.org/who/platform_wia.shtm) or <http://www.clasp.org/DMS/Documents/997116674.945/ita%20preliminary%20report%20may%202001.pdf>.

lor's degree will earn \$2.1 million – plus what they gain if they save and wisely invest some of the extra money they make. (See section on **savings and investments** to learn how to increase your wealth.)

It is clear that earning a bachelor's or master's degree in many fields will increase your chances of earning more. But even if you are not immediately able to invest the time you need to gain that level of education, you're not out of luck. With the right vocational or technical skills training, you can qualify for a job that still pays good wages and benefits. For more information about the training and qualifications necessary for different jobs, what they pay, and the outlook for job growth, check out the U.S. Bureau of Labor Statistics' "Occupational Outlook Handbook" at <http://www.bls.gov/oco/home.htm>.

Today, many jobs – including work in a warehouse or bank or as a truck driver – require some technical training, especially computer skills. You may be able to start with basic technical skills training at a community-based program and continue with more advanced training at a community or technical college. Courses may be offered in the evening or on weekends to make it easier to attend. Your local one-stop center should have a list of skills training programs offered in your area and information about how to enroll. For general information about community and technical colleges near you, visit [http://www.aacc.nche.edu/Contnet/NavigatorMenu/AboutCommunityColleges/CommunityCollegeFinder1/Community\\_College\\_Finder.htm](http://www.aacc.nche.edu/Contnet/NavigatorMenu/AboutCommunityColleges/CommunityCollegeFinder1/Community_College_Finder.htm), or call the American Association of Community Colleges at (202) 728-0200.

At your local community or technical college, you can also earn an associate's degree or credential certification in specialized skills that can give you a leg-up on jobs in high demand fields. A wide range of occupations do not

require a four-year college degree, but include jobs expected to be in high demand over the next ten years. For example, in ten years, there will be 160 job openings for Home Health Aides for every 100 job openings that exist today. Below are examples of the anticipated growth in high demand jobs

and the median hourly wages they paid in 2000.

While increased education is likely to bring financial rewards over both the short and the long term, the benefits are not measured solely in dollars and cents. The knowledge and skills you gain will help you grow as a person, develop a broader view of the world, and learn new

ways of making choices about your personal life and the society about you. They may also lead you to a job that may not pay as well as others, but rewards you in other ways – not the least of which may be feeling good about going to work each day.

### **Exploring your choices for assistance to pay for college**

Education and training beyond a high school diploma is a wise investment in your future. But tuition and fees can be expensive. The average yearly cost of

### **Future High Demand Jobs**

<b>Occupation</b>	<b>Ten Year Growth</b>	<b>Median* Hourly Wage</b>
Home Health Aide	60 %	\$ 8.10
Desktop Publisher/Printer	55	14.26
Fitness Trainer	52	12.20
Cable TV Installer & Repairer	43	16.17
Dental Assistant	38	12.47
Bank Customer Service Rep	37	11.33
Landscaping Supervisor	36	14.20
Computer Data Entry Clerk	35	9.84

U.S. Bureau of Labor Statistics, 2002

\* "Median" means middle point of all wages paid in that field

### *Opportunities to get the knowledge and skills to advance*

Parents who have not been able to work for a while and receive Temporary Assistance to Needy Families (TANF) cash assistance may be especially interested in gaining the knowledge and skills to get a good job. How much these parents are supported in their efforts to get education and training depends on the TANF policies of their state. Some states have programs that encourage parents to receive an associate's or bachelor's degree in a field with good job opportunities and provide cash assistance and other supports to the family throughout the years of school. Other states may require a parent to spend a substantial amount of time each week in work activity that does not include education and training, so there is little time to devote to classes and study on top of taking care of children. To learn about policies that might enable TANF parents to be better prepared for good jobs, check the Center on Budget and Policies Priorities' report at <http://www.cbpp.org/5-18-01wel.htm>.

For many people, having computer skills can be an important factor in getting a good job, but not everyone has the same opportunity to learn these skills, either through the public schools or by access to computers in their own homes. For that reason, special programs offer people access to computers and training on how to use common computer programs and connect with the Internet. For example, the Community Technology Centers program provides federal funds to communities that are willing to also use state or local funds or other resources to increase computer access at local libraries or other sites in the community. If you want to learn about how people benefit from this program and other ideas about how everyone can have access to

tuition and fees at a private four-year college is \$17,123, with some as high as \$30,000. For public four-year colleges, the average yearly expense is \$3,754, and for a community college, it is \$1,738. (Public college tuition expenses can vary greatly among states.) Saving from your earnings and managing your money wisely can help you cover at least part of the expense. (See the section on **savings and investments** for more information about special savings plans.)

You might also be able to get financial aid. Over three out of four students at four-year private colleges and almost two out of three at four-year public schools receive some type of financial assistance. You may be eligible for private scholarships or grants depending upon your background, level of achievement, or chosen field of study. Colleges with high tuition and fees try to make their programs more affordable to promising students by offering financial aid packages that are sometimes very generous. The guidance counselor at your high school or community college can help you learn what financial assistance may be available to you. Or, the librarian at your public library can show you how to look up this information. You can also visit <http://www.petersons.com> for more information on financial aid for college.

Regardless of what school you want to attend, there are also several government programs that may give the hand-up that you need:

**Pell Grant** – You may be eligible for this federal grant based on your own or your family's income. Unlike a loan, it does not have to be repaid. Pell Grants are usually given to undergraduate students who have not earned a bachelor's degree. The amount of the grant is determined by your financial need and the cost of your education program. The maximum award in 2000 was \$3,125, with an average grant of \$1,915.

**Perkins Loan** – This loan is awarded to undergraduate or graduate students with exceptional financial need. Undergraduates can borrow up to \$4,000 per year, and graduate students up to \$6,000. Payments on the loan begin 9 months after leaving school and must be repaid over 10 years at 5% interest.

**Direct Loan and Federal Family Education Loan (FFEL)** – The federal government makes Direct Loans, and FFELs are loaned through a financial institution. For both, undergraduates can borrow up to \$2,625 their first year, \$3,500 their second year, and \$5,500 during their last two years. It is not necessary for either loan to be based on financial need, but if it is, no interest is charged while you are in school. Otherwise, you must pay interest starting at the time you borrow the money. The interest rate varies with market conditions, but cannot exceed 8.25%.

**Other Options** – Several other government programs can help you pay your college expenses. Through the Work-Study Program, you may be eligible to get an on- or off-campus part-time job paying at least the minimum wage. Or if your parents still include you as a dependent on their income taxes, they may apply for a federal PLUS Loan for which the interest rate can never exceed 9%. If your parents were able to contribute over the years to what are called 529

### *Accessing financial assistance for education and training*

You can further your education and training by starting in a non-degree program, or attending college part-time as your work and life schedule permits. But if you do, government grant and loan programs for education may not be available to you. While these programs help many traditional students who are working toward a college degree, they generally cannot be used for short training courses or non-degree certificate programs. Also, working adults who are less-than-half-time students have difficulty meeting the requirements for Pell Grants and Perkins Loans, and they are not eligible for Direct Loans or Federal Family Education Loans (FFEL). Also, if you are in a degree program but decide to stop your studies for a period of time, you may have to begin paying back the loan. The first payments on Perkins Loans start nine months after leaving school. Direct Loan and FFEL payments begin six months after leaving school. The future of these student loan programs is uncertain. For ideas about how student aid programs might be improved to better assist adult learners, check Futureworks' report on this topic at their web site, [http://futureworks-web.com/images/held\\_back\\_report.pdf](http://futureworks-web.com/images/held_back_report.pdf).

### *Opportunity for training through the workplace*

State employer tax credits or targeted state payments that encourage employers to offer training opportunities to their workers have several purposes. States' policy makers want to encourage businesses to locate in their state or to remain there and grow. Employers want new workers who have, or current workers who can gain the skills that will help the business keep pace with technology and stay competitive. You can learn what your state offers by checking the web site for your state's department of employment and training. You may want to check if your company is taking full advantage of what is offered, especially those programs that enable less-skilled employees to upgrade themselves at the workplace. There may be ways for more workers to take advantage of these training opportunities. Workers in entry level jobs or less skilled occupations could be given direct assistance to fund training. Also, businesses might be encouraged to use their own resources for training through special state initiatives.

plans, their accumulated savings can help you pay for your college education. For more information, visit <http://www.studentaid.ed.gov/PORTALSWebApp/students/english/publications.jsp> or <http://www.finaid.org> to learn the details about government grants and loans, or ask the guidance counselor at your local high school or community college.

### **Staying on the career ladder and moving up**

Your education should not stop after you have gained technical or vocational skills training or a college degree. In almost any job, you will need to learn new skills as work changes with the economy and technology. You will likely change jobs several times during your career, moving from one company to another, or even one industry to another. In the future, you may find jobs in newly created professions, while other jobs become obsolete.

The process of keeping your knowledge and skills up-to-date is referred to as lifelong learning. You may have a chance to learn new skills on the job, or you may want to pick up courses at a local community college or work toward a higher college degree. Most states have programs that encourage employers to offer training to their employees so they can keep their skills up-to-date and prepare themselves to take advantage of opportunities to advance in the com-

pany. This training may be provided at the work site during regular work hours or after hours in some other setting. Some employers may even pay all or part of your tuition to complete a college degree in the field in which you are working.

Do not pass up an opportunity offered through your job to learn new skills that may be useful throughout your working career. When considering a job change, check whether a prospective employer offers training or a chance for you to get more college credits to advance your knowledge and skills.

### **Applying what you know to starting your own business**

You may want to start your own business. If you do, there are many things you will need to know. It is likely that your business will start very small, and take only some of your time while you still hold a regular job. It may be a good way to supplement what you earn, and never become your only source of income. But no matter what the size, to succeed in your business you will need to be good at what you do, know how to market it to get customers, be able to keep proper records of expenses and payments, and plan for weeks and even months ahead.

Several million people in this country run microenterprises, or very small businesses. Although not all of these businesses succeed, about two-thirds survive at least five years if the person who starts the business gets the training and support needed to run it. Low-income people who have enjoyed this kind of success have substantially increased their annual household income.



Whether you start a house-cleaning service, restore antique furniture, or design web sites, you will probably need to learn how to develop, manage, and grow your business. Your local community or technical college may offer credit and non-credit courses to teach you the skills you need. Technical assistance, training, and support may also be available from other community agencies, such as community development corporations (CDC). To locate the CDC near you, check the web site for the National Congress for Community Economic Development under "State Associations" at <http://www.ncced.org/associations/index.html>. Or visit the web site for the Association for Enterprise Opportunity at <http://www.microenterpriseworks.org> for information about other resources available in your area. Also, the web site for the Small Business Administration at <http://www.sba.gov/starting/> provides information about local training opportunities and helpful start-up tools, checklists, and resources.

Starting a business will probably mean you will have to have money to invest upfront to cover expenses before you receive any payment for your services. The

### *Preparation to run a business*

Anyone who starts his or her own small business or microenterprise will probably need help that goes beyond getting the necessary financing. In fact, a survey of people who wanted to start a microenterprise found that a very large number did not seek loans, but instead sought training, technical assistance, and access to market services. The knowledge and skills necessary for starting a business are not commonly taught in high school or college degree programs. For this reason, the federal Small Business Administration's Program for Investment in Microentrepreneurs (PRIME) provides assistance to low-income people and others who want to start a business, regardless of whether they take out a loan. PRIME provides grants to 69 organizations across the country to make training available in such areas as financial management, bookkeeping, and marketing. (Services may not be available in your area due to federal funding cut backs.) To find out more about PRIME and other ways to enable people to start and succeed in their own business, visit the Association for Enterprise Opportunity's web site at <http://www.microenterpriseworks.org/services/policy/>.

section on **saving and investing** describes how you can turn your savings into a small business or microenterprise and how you can get help in applying for a loan, if you need one.



# JOBS PLUS:

## *A Path to More Than a Paycheck*

Most people, probably including you, must have a job to earn money to pay for daily expenses and, perhaps, have extra money to save for special purchases or to invest. In the last section, you learned that your knowledge and skills go far in determining how much you might earn and how far you might advance up the career ladder. But whatever your **knowledge and skills**, you need to know how to find the best job within your reach and gain the most that you can from it.



Holding a job offers more than a paycheck. It also can link you to other valuable benefits. Your job may help pay for health insurance, offer contributions toward retirement pensions, and provide you with further education. All these have a real dollar value. If the earnings from your job are low, you may be eligible for programs that reduce the amount of taxes that you owe or even give you a credit that adds to your income. Even though your earnings may barely cover your bills, if you budget them wisely, you may be surprised how much you can save.

But the full benefits you, and others like you, can get from holding a job may depend on the state in which you live. State policies determine the availability of some options and programs, so where you live can make a difference in the value of your job and your future savings and investing opportunities.

In this section, we will look at both how you can gain the most that a job offers, and how certain policies and programs can help you stay on the path to saving and investing your money. This section has information about:

- Finding a job and the benefits that go with it
- Making the most of what your job offers
- Gaining other benefits based on employment
- Getting by when your earnings are limited
- Managing your money

### **Finding a job and the benefits that go with it**

How should you go about searching for a job that matches your interests, knowledge, and skills? First, you need to determine what type of job you are seeking. A career counselor can help you figure out the jobs for which you are qualified. If you are in school, someone on the staff can help you determine your career choices at this stage of your life. Also, the librarian at your local public library can help you find some guides by which to match your

interests and skills to job areas. You can also find this information at the Career Center's web site, <http://www.collegeview.com/career/>. Or check the yellow pages of the phone book under "Career Counselors" and make some calls to find someone who can assist you for little or no charge for the service.

Once you know what type of job you are looking for, you need to "network" to find one. The term "network" is just a fancy word for connecting with as many people as possible who may know about an available job. Your connection can be with a relative, friend, teacher, someone in a community organization of which you've been part, a former employer, or even a stranger who is savvy about the kind of job you want and whom you feel comfortable approaching for advice. Also, you can check the classified section of the newspaper, especially the Sunday paper, or specialty papers for job listings. Openings for jobs are grouped together by type, so look under the headings in areas that interest you. These papers may also list openings online, so check their web page. You may also want to locate job search engines on the Internet by searching under "job openings" for jobs by type and location.

If you need help in searching for a job, you can go to the one-stop career center in your area that was mentioned in the last section. Counselors there can also help you fill out a job application or write a resume and prepare for an interview. To find the one-stop center nearest you, visit <http://www.careeronestop.org> and enter your zip code. Other web sites that provide information to aid you in searching and applying for a job are "The Beehive" at <http://www.one-economy.com/company/beehive.asp> and a site created by the National Community Action Partnership at <http://www.managingmymoney.com>.



If your efforts pay off, you may have a choice of several jobs from which to pick. When you get a job offer, you will want to weigh how much you like the work and the hours and location of the job. And you should think about the chance that you can move up at the company or move on to a better job in another company, if you do well in the job you are offered. You may focus most on how much the job pays, but you also need to consider as well the benefits that come with it. Let's look closely at how good benefits can greatly increase the real value of a job.

### **Making the most of what your job offers**

**Health Insurance:** Next to your paycheck, the greatest dollar value of your job can be health insurance. Health insurance for just yourself will cost at least \$200 a month, and if you have a family, as much as \$640 a month. (The type of coverage and how expensive health care is in your area also affects the cost.) Many employers cover half or more of the amount of the monthly payments. Having at least half of the cost of your family health insurance policy covered is like earning an extra \$2 an hour or \$4,160 a year.

Even if your employer pays part of the premium, you may be tempted to pass up an opportunity to have health insurance coverage, because you are young

and healthy. That's a gamble. If you lose, you may have to pay over a hundred dollars out of your own pocket to cover medical care for something as common as a sprained ankle. Even worse, if you have a major accident or serious health problem, you may owe a very large sum of money for your medical care. At least one out of five people who have gone so deeply into debt that they have had to declare bankruptcy report that unpaid medical bills were the reason.

**Authorized and Paid Leave:** It is important to be able to take time off from your job without risking it, and also be paid for that time. While you may greatly enjoy your paid vacation days, other paid leave time may be essential. "Personal days" allow you to take time off for necessary personal business, such as a court appearance, without fear of losing your job. Paid sick leave allows you to miss work because you are ill and not have your paycheck reduced. At some jobs you can also use family sick days when your child is ill, or you or your child have a doctor's appointment.

**Retirement Plan:** A company-sponsored retirement plan is another job benefit that is sometimes offered. In some cases, employers pay the entire cost of their pension plan. But today most companies offer what is called a 401(k) plan in which both you and your employer contribute money. While retirement may sound a long way off to you, this job benefit has value to you both now and down the road. If you earn \$25,000 a year and you and your employer each contribute 5% of your wage to your pension plan, that adds up to \$2,500 a year plus interest that is going into a special account for you to use some day. And the employer's contribution of \$1,250 is like earning an extra \$.60 an hour. But there is also a benefit for you now because the income on which you pay taxes is reduced by the amount of your contribution, and the interest paid on what both you and your employer contribute is not taxed until you take out the money. In the section on **savings and investments**, you will learn more about different types of retirement plans.

**Education:** Your employer may also cover the cost of furthering your education. As you learned in the section on **knowledge and skills**, an employer may offer you special on-the-job skills training, or help you pay for courses or even get a college degree. As described in that section, such additional education and training beyond high school can substantially increase your earnings over your lifetime. Therefore, being able to take advantage of free training increases the value of a job.

**Additional Benefits:** Some employers offer additional benefits, including other insurance of various kinds – to cover dental work; to pay you in case you become disabled or sick for a very long time and cannot work as much; or to meet your survivors' financial needs should you die. Your employer may cover part or all of the cost of such insurance or just give you the opportunity to purchase it at a rate less than what it would be if you bought it on your own. Such benefits can give you a greater sense of security and are like extra income.

## **Gaining other benefits based on employment**

Certain tax policies reward your effort to earn money by adding to your take-home pay. These policies also take into account the fact that holding a job increases your work-related expenses. The tax benefits you can receive depend on your income and/or your personal situation. Described below are three important federal programs:

**Earned Income Tax Credit:** Everyone who has modest earnings from work is eligible for this credit that reduces the amount of federal income taxes you owe. If you do not earn enough to owe taxes, a credit is paid to you. You can apply for the credit when you file your income tax form. In 2001, this credit was worth as much as \$364 for a single person and \$2,428 for a family with one child, and \$4,008 for a family with two or more children. Do not miss out! Call the IRS help line at 1-800-829-1040 to find out where you can get free help to apply for EITC and other federal tax credits. Or visit the web site of the Center on Budget and Policy Priorities' at <http://www.cbpp.org/eic2002/index.html> to learn if you are eligible for this credit and how to apply.

**Child Tax Credit:** If you have a child under age 17, you can apply for the Child Tax Credit to reduce the amount of federal income taxes you owe. The credit equals 10% (increasing to 15% in 2005) of your earnings above \$10,500, up to the maximum amount. If your earnings are low, you can receive a refundable credit of up to \$600 for each child. Families with higher earnings can receive a maximum credit of \$1,000 for each child. Therefore, if you are married and have one child and earn \$16,500, you can claim a \$600 credit whether or not you owed income tax. The same family with \$50,000 in earnings can claim a \$1,000 credit. For more information on recent changes to the Child Tax Credit, call the Internal Revenue Service (IRS) help line at 1-800-829-1040 or visit the web site at <http://www.irs.gov> and search under "Child Tax Credit."

**Dependent Care Tax Credit:** This credit allows families to reduce the amount they pay in federal income taxes to help cover some of the cost of childcare. For the care of one child the reduction can be as much as \$2,400 and for two or more children you may be able to reduce the amount you owe in income taxes by up to \$4,800. To learn how to apply for this credit, call the IRS help line at 1-800-829-1040 or visit the web site for the National Women's Law Center at <http://nwlc.org> to download the booklet "Credit Where Credits Are Due."

Most states that require you to pay state income taxes on your earnings also give tax credits to help low-income workers and families with children. Over one-third of the states with an income tax have a state Earned Income Tax Credit that can reduce the amount you owe in state taxes just as it does for federal taxes. Almost two-thirds of the states with an income tax allow you to reduce your taxes to help cover the expense of childcare. Most states also have some type of child tax credit. Some states also allow you to reduce your taxes if you have high rent payments. To check what tax credits are available

### *Increasing the value of a job and helping with expenses*

The federal Earned Income Tax Credit (EITC) is a public policy that very successfully supports work and reduces poverty. Nearly 20 million working families and individuals filing federal income tax returns — roughly one in six — claim this credit. Sixteen states have their own EITC to further boost the income of working people. Unfortunately, 26 other states that have a state personal income tax offer no EITC. To find out more about the policies of different states, check the Center on Budget and Policy Priorities' web site at <http://www.cbpp.org>.

In many states, the amount you owe in state income taxes also can be reduced to help you cover expenses for childcare. Twenty-six states have a childcare tax provision for working parents similar to the federal one. In some states it is more generous. For example, in Massachusetts you can deduct twice as much from the income on which you are taxed as you can for the federal Dependent Care Tax Credit. Ten states offer a credit for childcare expenses that works like the EITC in that you can receive it even if you do not earn enough to owe taxes. To learn more about what different states have done, check the National Women's Law Center's web site at <http://www.nwlc.org>.

in your state, visit <http://www.taxadmin.org/fta/link/link.html> to link to your state Department of Revenue.

When you look for and find a job, remember that government rules give you important basic job protection. The federal Fair Labor Standards Act and your state's laws set some rules your employer must follow. For most jobs there is a minimum wage the employer has to pay and there are rules that determine what is overtime and how much extra you should be paid. There also are rules to ensure protection of your health and safety and how you and your fellow employees might deal with your employer on the terms and conditions of your employment. For more information, visit the web site for the U.S. Department of Labor at <http://www.dol.gov/elaws/flsa.htm>. If you are a member of a union, your representative can provide you with more information about your rights.

The table on the next page, "Potential Value of a Job", shows how much a job could have been worth in 2001. The first line on the chart is your wage if you worked full-time and earned \$12 an hour. Added to this is the value of the portion of your health insurance and retirement plan that your employer paid. Also added is the value of the federal and state Earned Income Tax Credit and

### *Protecting the lowest paid workers*

Government policy protects and increases the amount that you can earn through the minimum wage. It sets a wage that is the lowest you can be paid for most jobs. Currently the minimum wage set by the federal government is \$5.15 an hour. Some states have set a higher minimum wage for employees in their state. For example, in Washington State the minimum wage is \$7.01 an hour and in Oregon it is \$6.90. In both states, the minimum wage is tied to inflation so it goes up as costs rise. In Massachusetts and California, the minimum wage is \$6.75, but it is not tied to inflation. The minimum wage is important not only because it sets the wage for the lowest paying jobs, but also because in many places even entry-level jobs pay about one dollar above the minimum wage to attract employees. For more information about policies that might boost earnings, check the Economic Policy Institute's web site at <http://www.epinet.org>.

## Potential Value of a Job (in 2001)

### Example for Family of Four with Two Children

	An hour	Annually
Wage	\$12.00	\$24,960
Family health insurance coverage	2.00	4,160
Employer contribution to retirement plan	.60	1,250
Federal EITC	.72	1,500(est)
State EITC (25% of federal)	.18	375(est)
Federal Child Tax Credit	.58	1,200
<b>Total</b>	<b>\$16.08</b>	<b>\$33,445</b>

federal Child Tax Credit that you were eligible to receive if you had two children. Together, these increased the dollar value of your hour's work from \$12 to \$16 and the dollar value of your year's work from \$24,960 to \$33,445. (Annual adjustments to the EITC and changes to

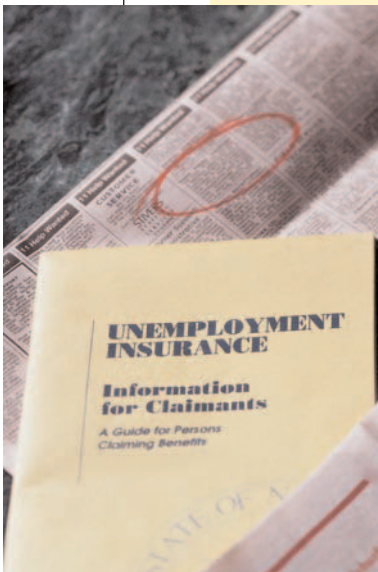
the Child Tax Credit can further increase the dollar value of your work.)

### Getting by when your earnings are limited

**Unemployment Compensation:** In today's economy it is not uncommon to find yourself without a paycheck because you have been laid off from work. If you do, you may be eligible for Unemployment Compensation. This program was established by the federal government, but it is largely run by the states. It is meant to help people pay their bills while they are temporarily out of work through no fault of their own. In many states, you must have earned a minimum amount in the last 15 to 18 months to be eligible for unemployment benefits, although in some states you need not have worked for so long. If you receive unemployment payments, you are expected to try to find an appropriate job as soon as you can, and in most states it must be a full-time job. If you are laid off from work (and sometimes even if you quit your job), you may be eligible for this program. By using it, you can avoid dipping into your savings to cover your day-to-day expenses while you try to find another job. To find out if you are eligible for unemployment benefits, visit your local one-stop career center.

**Food Stamp Program:** People who work, but whose earnings are modest, or people who are temporarily without a job, may be eligible for the Food Stamp Program. This program helps cover the cost of food for households with income less than 130% of the official poverty rate. For example, a family of three with an income of \$19,526 or less in 2002 and little money in savings, could qualify for food stamps. The value of the food stamps you receive depends on the number of people in your household, monthly total household income, and other living expenses, such as high housing costs or medical bills. For example, a family of three with no income would receive \$356 a month in food stamps. The same family with \$500 in monthly earnings (after taking out the cost of certain expenses) would receive \$206 in

food stamps. Is it worth applying for food stamps, if say, you are eligible to receive only \$50 a month? The next section on savings and investments explains what a difference that modest amount of money can make over



## *Sustaining income between jobs*

Across the country only about 43% of unemployed people qualify for benefits from Unemployment Compensation (with as few as 21% in South Dakota and as many as 74% in Connecticut and Massachusetts) because people have difficulty in meeting the requirements. Some people do not earn enough or have not been working long enough before losing their job. Others cannot satisfy the requirement of seeking a full-time job, because family and other responsibilities prevent them from doing so. At least 28 states have changed the rules to help more people qualify. For example, some states have reduced the number of months an applicant must have worked before being laid off. Others allow someone to qualify if they look for part-time work, or if the job they lost was a part-time one and they cannot work any more hours. For more information about different policies by which states might help sustain people between jobs, check the National Employment Law Project's web site at <http://www.nelp.org>.

time. To learn more about food stamps or to find the toll-free phone number for your state, call 1-800-221-5689.

**Housing Assistance:** There are several state and federal programs to assist people who are having difficulty affording the high cost of housing, but availability is limited. People with very low income may qualify to live in federal public housing, or to use what are called Section 8 vouchers to help pay the rent in private housing. Both programs are set up so that your rent is not more than 30% of your monthly income, but sometimes people using Section 8 vouchers find themselves needing to pay more than this to rent a unit that is acceptable to them. The number of rental units available through both programs is decreasing, causing waiting lists to get longer. Your state may also have its own programs to help people lower their housing expenses. To see if you may qualify for a federal rental assistance program or to locate a housing counseling agency near you, call your local Housing Authority, or visit the U.S. Department of Housing and Urban Development web site at <http://www.hud.gov/faqs/faqrenting.cfm> or the web site for the National Low-income Housing Coalition at <http://www.nlihc.org>.

**Health Care Coverage Options:** If you have been laid off from work and you were receiving employer-provided health insurance, you can continue that insurance policy while you look for another job. This is referred to as COBRA coverage. It is helpful because you can get health insurance at a group rate, rather than a very costly individual rate, but you have to pay the full cost of the premium. For more information, visit the U.S. Department of Labor's web site at <http://www.dol.gov/ebsa/pdf/cobra99.pdf>.

If you cannot afford COBRA or you are employed but your employer does not offer health insurance coverage, you may still have low cost options. If you participate in some other government assistance program, you may be eligible for the federal Medicaid program. Also, some states offer their own health insurance plans to very low income adults who would otherwise be uninsured. Even if you are not eligible for such assistance, your children may qualify for the federally supported State Child Health Insurance Program (SCHIP). This program provides, at low or no cost, insurance that pays for doctor visits, prescription medicines, and hospitalization. Each state has different

### *Insuring against major health care expenses*

While having health care coverage is very important, nearly one in five non-elderly adults have no health insurance of any kind. Although the federal government created Medicaid, the states set many of the rules for eligibility, such as how much income or savings and other assets (including a car) an applicant can own. On average, a working parent is eligible if the family income is below 69% of the poverty level, but the cutoff ranges from 21% in Alabama and Arkansas to 275% in Minnesota. For a family of three that is an income as low as \$3,154 a year in Alabama and Arkansas to as high as \$41,305 a year in Minnesota. In many states (19), a person is eligible for Medicaid even if he or she has savings or owns something of value, like a car. In a few states, he or she may be eligible for a state provided health insurance plan, even if the person does not have a disability or a minor child that could qualify the individual for Medicaid. To find out about the different policies by which states have sought to enable more people to have health coverage, check the Kaiser Family Foundation's web site at <http://www.statehealthfacts.kff.org>.

eligibility rules, but in most states uninsured children 18 years old and younger, whose families earn less than \$34,100 a year (for a family of four) are eligible. In some states, the parent of a child who receives SCHIP is also eligible for coverage for himself or herself. Visit the web site <http://www.cms.hhs.gov> under "Consumers" to learn more about the Medicaid and SCHIP programs and to locate the toll-free phone numbers for your state to determine if you or your family are eligible for health care coverage.

**Temporary Assistance to Needy Families (TANF):** People who have children under age 18 and little or no earned income may be eligible for the Temporary Assistance to Needy Families (TANF) program. TANF provides cash assistance to families when the parent temporarily cannot work because of family responsibilities, such as caring for a very young or disabled child, or cannot find work because of lack of skills and experience. This assistance may be necessary to maintain yourself and the people who depend on you while you prepare to get a job. TANF also can fund costs related to getting and holding a job, such as training, transportation, and childcare expenses. In 2001, across the country almost as much of TANF funds were used to cover the cost of childcare and other activities supporting work (30%) as went

### *Supplementing low earnings*

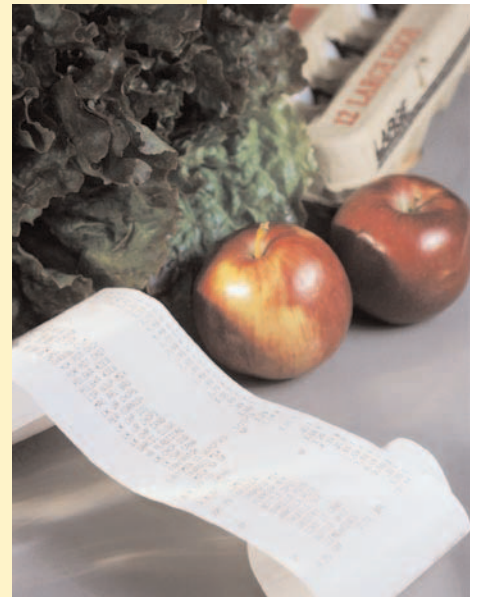
States have made choices that determine which families are eligible for Temporary Assistance to Needy Families (TANF) cash assistance and how long they can receive it. In order to be eligible for cash assistance, a three-person family's income must be below \$205 per month in Alabama, while in Rhode Island it must be below \$1,278 per month (as of January 2000.) Whether that family is eligible for assistance also depends on the assets members hold. For example, in at least 23 states a family is eligible even if a member owns a car; but in the other states owning a vehicle, even if it is needed to get to work, can disqualify the family from cash assistance. States' rules about how long a family can receive cash assistance vary widely. Most states do not allow an adult to receive temporary assistance for more than five years over his or her lifetime. Some states require that a family stay off assistance for several years after receiving help for two to four years. In many cases, the parent may be working when the family reaches the time limit, but is earning so little that losing the cash assistance that helps cover basic expenses is very significant. For more information about different kinds of TANF policies, check the information posted by the State Policy Documentation Project at <http://www.spdp.org>.



toward cash assistance (38%). Although this is a federal program, the cash and other types of assistance you may receive vary from state to state and the program may be known by a different name. Visit the U.S. Department of Health and Human Service web site at <http://www.acf.dhhs.gov/news/welfare/stlinks.htm> to link to information about services in your state and contact information, or go to your local welfare office to find out what benefits you may be eligible for.

**Supplemental Security Income (SSI):** If you become disabled and have a low income and few assets, you may be eligible for the Supplemental Security Income (SSI) program. Children as well as adults can qualify for SSI. As the name implies, SSI payments are meant to supplement your income if you are able to work at some level. But SSI payments will cover your basic living expenses and extra expenses due to your condition, if you cannot work. The amount of your monthly SSI payment varies depending on the seriousness of your disability and the state in which you live. To get information or to apply for benefits, call [1-800-772-1213](tel:1-800-772-1213) or go to your local Social Security office.

**Workers' Compensation:** If you are injured at your job and unable to work, you may be eligible for Workers' Compensation. These benefits include weekly payments to make up for income lost during the period of time you cannot work. This compensation may also cover your medical costs related to the injury, and pay for training in a new field if you cannot return to the same type of work you were doing. The personnel manager at your work can let you know if you are eligible for benefits. Check your state's rules for Workers' Compensation benefits, at <http://www.dol.gov/esa/regs/compliance/owcp/wc.htm>.



## Managing your money

In the next section on **savings and investments** you will learn how savings can grow and how special programs can help you save more. But how do you start saving? It may seem as if there is no money left over after paying for the basics and buying other items that you occasionally need. But there are several things you can do to find that extra money.

### Be a Wise Shopper

You have explored ways to increase your income. Now let us see if there are ways to hold down your expenses. For example, you may be able to save money on food and still eat in healthy ways. Simple savings tips include buying store brand products, avoid buying prepared or fast food, and buying fruit juice at the supermarket, rather than from a vending machine. These and other steps can reduce the cost of some food items by half. When shopping for larger items, be a comparison shopper and ask questions so you know if you are getting the best deal, whether you are buying a mattress or a bike for

your child. Avoid using rent-to-own stores, especially when you purchase very big items like furniture or appliances. The low monthly fees they advertise may seem attractive, but over time you can end up paying two or three times the real cost of the item. For example, if you agree to pay \$60 a month for a year for a TV, you will pay a total of \$720 for a TV that you may have been able to purchase at a regular store for \$300.

An automobile is one of the biggest purchases you may make. You will need to decide whether you should buy a new or used car, or lease one. Whatever your choice, there are many things to consider. If you buy a used car, there are questions you should ask about the condition of the car and you may want to ask a person who knows about cars to inspect it for you. You can buy or lease a new car. If you borrow money to purchase the car, you own it after you've made all the monthly payments. If you lease the car, the monthly payment may be lower, but you will not own the vehicle at the end of the lease. Your choice will depend upon what you can afford and your driving needs. If you buy a car and wish to get a loan, you need to know whether the terms of payment of the loan are a good buy and whether you can make the payments. (If you miss a few payments, your car may be repossessed and taken away.) Visit the web site for Consumer Reports for information that can help guide you through these many decisions. Go to <http://www.consumerreports.org> and click on "Autos."

### **Manage Your Money Wisely**

You may be able not only to spend your money more wisely but also to manage it more wisely as well. To avoid normal check-cashing fees, take advantage of direct deposit into a bank account if your employer offers this option. To help you save each month, arrange for a certain amount to be automatically taken out from your paycheck and deposited into a savings account. This way you invest in your future first. Join the credit union through your job, if one is available, to aid you in taking these steps. And avoid schemes that eat up your money with nothing to show for it! It may seem easier to use a check-cashing outlet, rather than set up an account at a bank or credit union, but the fees it charges can take a bite of up to 20% out of your check. Also, other services they offer might be available to you elsewhere for free or very little. For example, you can use a check from your bank account for no extra charge to pay your utility bills, or you can purchase money orders at a post office for a much lower fee. (For more information about obtaining services from banks and other financial institutions, check the discussion on "Basic Savings Account" in the next section on **saving and investing**.)

One of the most costly ways to borrow money is by taking a payday loan. Payday lenders are found in many places, such as check-cashing outlets, convenience stores, gas stations and pawnshops. To obtain cash, a person writes a check to the lender for the amount they want plus a fee. If the borrower does not pay back the loan amount and fee within a short period – often 10 to 30 days – the lender can cash the check. If you borrow in this way,



you can end up paying a very high rate of interest. For example, if you borrow \$100 and agree to pay back \$115 in two weeks, it would be similar to agreeing to pay back \$390 at the end of a year for a \$100 loan now – an annual interest rate of 390%.

You may decide to use a credit card to make purchases. Credit cards can be very helpful, but they can also be risky if their use is not managed appropriately. Even people who usually manage their money well can build up too much debt on their credit cards. If you charge many purchases but only make the minimum monthly payments, you may pay interest rates as high as 20% on what you still owe. If you get too far behind in making payments, you will hurt your credit record and the credit card company may cancel your card and go after you for all the money you owe. To learn more about credit card use and costs, visit the web site of Consumer Action, [http://www.consumer-action.org/English/library/credit\\_cards/index.php](http://www.consumer-action.org/English/library/credit_cards/index.php).

Your credit history is important because it provides valuable information on how good a credit risk you are. If you have a poor record of paying off your credit card debt or other money you borrow, you may find it hard or impossible to get a loan in the future. If you do get a loan, you may have to pay a higher interest rate. When you apply for a job, an employer has the right to check your credit report and might not hire you if you have a bad credit history. To look at your credit record, contact: Equifax at 1-800-685-1111 or <http://www.equifax.com> or Experian at 1-888-397-3742 or <http://www.experian.com> or Trans Union at 1-800-916-8800 or <http://www.transunion.com>. To learn what your credit score means, check the web site for the Consumer Federation of America at <http://www.consumerfed.org/knowyourscore.pdf>.

For many more ideas on how to manage your money wisely, check “The Beehive” at <http://www.one-economy.com/company/beehive.asp> and a site created by the National Community Action Partnership at <http://www.managingmymoney.com>.

# SAVINGS AND INVESTMENTS:

## *Advancing Along the Path*



Savings and investments are another step on the path to economic security and opportunity. They include cash in savings and checking accounts, stocks and bonds, and ownership of a house or other property. If large enough, they can give you extra income now and, even more important, make your retirement years more comfortable. They can help you deal with the expense of a personal crisis or emergency. They can help you to make a down payment on a home you want, pay for the education and training you need, start a business, or make an important purchase, such as a car or a computer.

In the first section, you learned how your knowledge and skills could help qualify you for the job you want or prepare you for the business you want to start. In the second section, you learned about how to gain the best job that is within your reach and the other supports that can boost your income when earnings fall short. Once you are far enough along the path, your income may be large enough so that you can think about setting some aside for the future.

The gains from building your savings and investments are not just valuable to you. Communities are stronger when residents have a financial stake through ownership of a home or a business. Communities can thrive when families have the economic security that a nest egg of savings and investments can afford. Communities can grow when households have the financial means to invest in their future.

For these reasons and many others, it has long been considered in the interest of the community to help people build savings and investments. Tax policies can provide incentives for people to accumulate them. For example, homeowners who owe income tax can pay less tax based on the cost of paying off their mortgage. People who save for retirement can reduce or delay payment of taxes on the income they earn from their savings. People can also reduce or delay payment of taxes when they save for the college education of their children or other family members. This kind of help makes a real difference in the lives of millions of Americans. But others, including those with low income, are not able to benefit from these tax policies.

In this section, we will look at ways you can save, invest, and manage your money, and at policies and programs that can help you and others advance

along the path to financial security. We discuss four topics:

- Starting simple: Savings
- Saving for the long haul: Investing in a home
- Saving for the long haul: Investing in other ways
- Managing your savings and investments wisely

### Starting simple: Saving

In the last section, you learned ways to increase your income from a job or your own business to pay your day-to-day expenses. Now let's talk about the money you have left once the bills are paid. You may not have a lot left over, but sometimes all it takes is a little here and there to get you on the road to better financial security and opportunity. So, budget well and commit yourself to putting aside something on a regular basis, and then try hard to stick to your budget. To learn about different ways to save, visit <http://www.consumerfed.org/66ways.pdf>.

The first money you set aside, you may need for important purchases or emergency expenses, so you need a secure place where you can keep it and have it available right away. At the same time, you want to take advantage of the chance to earn more money from what you have saved. The extra money is called interest. For example, if you open a basic savings account at a financial institution, like a bank, you can earn interest on your money. Over time, your savings and the interest you earn can build up.

Let's say you save \$20 every week in a savings account at your local bank. Chances are that your bank will pay you interest on your

money of 1% to 3% annually. The table above shows what your account would be worth over time at 3% interest compounded monthly.

Weekly Saving	1 Year	5 years	10 years	15 years	20 years
\$20 with 3% Interest	\$1,056	\$5,608	\$12,125	\$19,686	\$28,492
\$20 without Interest	\$1,040	\$5,200	\$10,400	\$15,600	\$20,800

As you can see, if you leave your money in the account you earn more and more interest as the amounts you have already earned build up. This is called compound interest. The key here is saving regularly. This means trying hard not to touch the money you have.

### Basic Savings Account

Having a savings account at a bank or other financial institution that is covered by the Federal Deposit Insurance Corporation (FDIC) will allow your savings to grow and be insured up to \$100,000. To open such an account, you might have to pay a monthly service charge – typically \$3 – if your savings account goes below a certain amount (a “minimum balance”). You may also have to make a minimum deposit to open an account. Having an account may give you access to Automatic Teller Machines (ATMs) to access your money more easily, although there may be charges to use some ATMs.

The service charges, opening deposit, and minimum balance may depend on where you save – at a commercial bank, credit union, savings bank, or small community bank. To comparison shop for savings accounts, checking accounts, and other financial services available in your area, visit [http://www.bankrate.com/brm/rate/atm\\_chk\\_home.asp](http://www.bankrate.com/brm/rate/atm_chk_home.asp).

Saving can be easier and more regular if you “direct deposit” your wages, government payment, or other sources of income. You can also avoid high fees for cashing your paycheck when you use direct deposit. Ask your employer or a financial institution that you deal with about direct deposit.

If you receive one of certain kinds of federal government payments, you may be able to open up an Electronic Transfer Account (ETA), a low cost account into which the payment will be deposited. To see if you qualify, call 1-888-382-331 toll-free or visit the web site, <http://www.eta-find.gov>. Also, under the federal government’s First Accounts program, organizations in over 25 states have received grants to enable people to open low cost savings and checking accounts. To learn more, visit the U.S. Treasury’s web site at <http://www.ustreas.gov/firstaccounts/grantawards.html>. If you live in Illinois, Massachusetts, Minnesota, New Jersey, New York, Rhode Island, or Vermont, you may be able to sign up for a low-cost “lifeline account” that banks in those states must offer.

### *Improving connections with financial institutions*

Having an account at a financial institution gives you ways to save and means to manage your finances — such as cashing checks and paying bills — that are less costly, so you have more to save. There are choices about how to help people get “connected” that are worth considering. For example, employers could be encouraged to get their employees to sign up for direct deposit of their paychecks and provide financial education at work. Financial institutions could be encouraged to offer more reasonably priced accounts and basic financial services. For example, the First Accounts program that is noted above could be expanded. Alternatively, financial institutions’ obligation to serve all in the communities where they do business could be increased under what is called the federal Community Reinvestment Act. Or other states could follow the lead of the seven that have already required banks to establish “lifeline accounts.” Two articles at the Brookings Institution’s web site, <http://www.brookings.org/dybdocroot/es/urban/capitalxchange/article10.htm> and <http://www.brookings.org/dybdocroot/es/urban/capitalxchange/article4.htm>, offer information and ideas about how more people can get connected to financial institutions.

### *Removing “asset test” barriers to saving*

Important government programs such as Food Stamps, Medicaid, and Supplemental Security Income, help fill in the gap with cash or other benefits when people don’t make enough from work to meet their basic needs. But some people who need help from these programs can’t get it because they have built up modest amounts of financial assets or own a car worth too much money (even though they need it for work). As a result, they have to “spend down” their savings to get in or may not bother to save in the first place. But those savings may be just what they need to move on and move up once the program helped them get back on their feet. Also, people who have certain kinds of employment pension plans risk losing some benefits, if they have too much money in the plan. For more information about how “asset tests” affect asset building for lower income families, check the website of the Center on Budget and Policy Priorities at [Ways to broaden the path](http://www.cbpp.org/9-20-</a></p></div><div data-bbox=)

## *Encouraging saving*

Reports so far suggest that Individual Development Account (IDA) programs are popular and genuinely help participants build a financial stake for themselves. As of 2003, there are IDA programs in almost every state. Many are privately supported by foundations and other organizations. In many states, the state government also contributes relatively small amounts of money in a variety of ways. The federal government has created a pot of money for IDA programs, only some of which has been spent so far. But the need and demand for IDAs seems much greater than current state and federal government support for it. For more information and ideas about IDAs visit <http://gwbweb.wustl.edu/csd/> and click on "IDA" or "State Policy."

The Family Self-Sufficiency (FSS) program has had success not only in helping people get on and up the job path, but also in building a financial stake that they can call their own when they complete the program. But many public housing authorities across the states could do even more to help the program work. In some areas, additional funds pay for more staff who assist people in reaching their goals through case management and by tapping into more resources that exist in the community. To find out about the FSS program, visit <http://www.cbpp.org/4-12-01hous.htm>.

### **Certificates of Deposit and Money Market Accounts**

Certificates of Deposit (CDs) generally pay higher interest than regular basic savings accounts, usually because you must invest a minimum amount of money (say \$500) and won't have access to it for a minimum amount of time (for example, 6 months). Money Market Accounts (MMAs) also pay higher interest – though not so much as CDs – because you must also invest a minimum amount of money and you are limited to six withdrawals per month. Most financial institutions offer MMAs and CDs; those offered by banks are federally insured, just like ordinary savings accounts. Shop around for the best interest rates and terms. You can learn about these options at <http://www.bankrate.com> or from your local bank.

### **Individual Development Accounts (IDAs)**

Depending upon the state and area where you live, you can get a helping hand in saving through an Individual Development Account (IDA) program. If you qualify for the program, some of your savings in a special account will be matched, often dollar for dollar and sometimes even more, if you stay in good standing. Usually that means you are saving at least small amounts on a fairly regular basis over a year or two. It also means taking classes to increase your knowledge about personal finance and sharpen your money management skills. Generally, you get the benefit of the match when you use the money for a specific purpose, such as buying a home, paying for college or vocational education, or starting a small business. IDA programs typically give you advice and support in making wise decisions about how to use your savings in this way. To find out if there is an IDA program you can join, visit <http://www.idanetwork.org>, or call the Corporation for Enterprise Development at (202) 408-9788.

### **Family Self-Sufficiency Program (FSS)**

The public housing authorities (PHAs) that run public housing and supply

vouchers (“Section 8” certificates) that help pay for private rentals by lower income families also run a Family Self-Sufficiency Program (FSS). This program helps participants with supports and services not only to get and keep jobs with good wages, but also to build a financial nest egg. Ordinarily, public housing tenants and voucher users must pay more rent as their earnings rise. But for FSS program participants, some of their increased payment is put into a special account. All the money in that account becomes available to them when they successfully complete the FSS program. In some states, PHAs run additional programs that work like FSS. If you receive housing assistance, contact a PHA in your area to learn about programs of this kind in which you might participate.

### **Saving for the long haul: Investing in a home**

Once you have saved enough to meet your short-term needs, you can think about putting more money aside and investing your savings over the long term. Investing can bring greater financial rewards, but it also may come with greater risk. You can lose money as well as make it. It can be the right strategy for you if you learn about the different risks and rewards and make wise choices about your investments.

### **How Homeownership Works**

Owning a home is more than having a house to call one's own. It's also a way to build wealth. According to one estimate, households in America may have as much as \$8 trillion of their net wealth in homes. For many, it's the most important part of the net wealth they have. You will need savings of your own (a down payment) and money you borrow (the mortgage loan) to have enough to buy a house. You will have to pay for other fees and expenses to cover the cost of the transaction (closing costs).

Required minimum down payments for conventional loans may be as high as 20% of the sales price, although government loans typically have lower down payment requirements. For example, the Federal Housing Administration (FHA) and the Department of Veteran Affairs (VA) may offer assistance in paying your up-front cash requirements. To learn more, visit the Government National Mortgage Association web site at [http://www.ginnie.mae.gov/ypth/Info\\_Center/1\\_learn/govt\\_programs.htm](http://www.ginnie.mae.gov/ypth/Info_Center/1_learn/govt_programs.htm). Also, you can check the web site of the Department of Housing and Urban Development (HUD), <http://www.hud.gov/buying/localhomebuy.cfm>, to find out about other local down payment assistance programs. In addition, visit the website of Fannie Mae, the largest single private source of money for home mortgage lending. (Go to <http://www.fanniemae.com/index.html>, click on “Find a Mortgage” and click again on “Mortgage Solutions.”) There you will find a list of mortgage products designed to meet the needs of different kinds of borrowers and lenders who offer those products.

If the home you want costs \$145,000, a down payment between 10% and 20% will cost you between \$14,500 and \$29,000. The money will primarily





## Turning savings into a home

Public policies have enabled many Americans to become homeowners. Most importantly, they have been given a real boost to covering their home ownership costs from the taxes they save when they deduct their mortgage interest and real estate tax from the income they report on their federal tax returns. It's worth considering whether there are ways to give similar help to others who don't get the benefit of such deductions. One way would be to make the deductions "refundable" like the Earned Income Tax Credit (EITC), described in the section on **jobs plus**. That is, just as some people get a tax saving deduction, others who cannot benefit from it could get a credit that gives them back money to help pay their mortgage. Another way might be to help those for whom coming up with the down payment is a bigger barrier to homeownership. They could be offered a one-time credit that they could use to cover part of the cost.

come from your savings and perhaps some help from a family member. Once you have the down payment, you will need to borrow the rest (get a mortgage loan). The most important features of a mortgage loan are the amount of the principal, the term, and the interest rate. The principal is the money you borrow from a financial institution. The term is the number of years you have to pay back the loan. The interest rate determines the extra amount you have to pay to the financial institution for borrowing the principal. In 2003, interest rates have been the lowest in decades, well below 6%; during the last few years, they have been as high as 8.3%. Whenever you seek a mortgage, be an educated buyer and shop around to get the best buy! For example, it would cost you over \$23,000 more in interest to make all the payments on a 30-year mortgage loan for \$100,000 at 7% interest, than for a loan at 6%.

### Building Equity in a Home

Over the years, the net wealth you have in a home – the equity – can grow. This equity can be important to even more wealth creation and economic stability because you may be able to use the higher equity to improve your home, start a business, or pay for your education or that of your children. At any time, the equity you have is represented by the following formula:

**Equity =**

**Down Payment + Payback of Principal + Sale Price - Purchase Price**

(The purchase price is what you paid for the house. The sale price is what you can sell it for.)

First, you start with your down payment, the amount of your own savings that you invest to buy your house. Next, each month that you pay your monthly mortgage loan, you not only pay interest to the lender for borrowing the money, but also lower the amount you borrowed – the principal – for the following month. The more you pay back, the more your stake in your house grows. Also, over time, the price of your house may increase above what you paid for it. If it does and you sell your house, you get more than you started with. For example, suppose you buy a new home for \$145,000, make a down payment of \$14,500 and get a 30-year, 6.5% mortgage for \$130,500. After five years the principal your mortgage payments pay back will increase your equi-

ty by \$7,338. This will bring your total equity to \$21,838 (\$14,500 down payment plus \$7,338). If the price at which you can sell your house goes up by 9%, from \$145,000 to \$158,050, your equity will increase by an additional \$13,050. Of course, the price at which you can sell your home doesn't always go up – it may even go down – so you must make your choice for investing in a home wisely. If you join a block or neighborhood association, you may be able to improve the quality of life where you live and protect or perhaps increase the value of your home. Also, other things affect home values. If you don't take care of your home, its sale price may actually go down. To find out more about the advantages of buying a home, visit the website for Ginnie Mae at [http://www.ginniemae.gov/ypth/rent\\_vs\\_buy/Rent\\_vs\\_buy.htm](http://www.ginniemae.gov/ypth/rent_vs_buy/Rent_vs_buy.htm).

### **Make Sure Home Ownership is Right For You**

Whether owning a home is right for you depends on the kind of expenses you have and your ability to manage these expenses. Homeowners must prepare for the typical costs such as mortgage payments, taxes, and utilities. Also, if you are allowed by your lender to make a small down payment (generally less than 20%), you may have the additional expense of mortgage insurance. Managing your mortgage will be very important. You should consult with your financial institution loan officer and homeownership counselor to make sure that you stay on top of your monthly payments. Remember, too, that you will have one-time expenses when you buy – and sell – your home. Also, if you become a homeowner, you must be able to cover unexpected costs, such as repairs to the furnace, or other things that can break. So having a savings account with enough money to pay for such expenses is important.

There are programs that assist with the down payment you need to make and help lower the interest rate you must pay. Whether you qualify for these programs may depend on your income. For more information, contact your state housing finance agency through the National Council of State Housing Agencies. Call the Council at (202) 624-7710 or visit the Council's web site at <http://www.ncsha.org/section.cfm/4/39>. Or to learn more about the homeownership process, visit the web site of the U.S. Department of Housing and Urban Development at <http://www.hud.gov/buying/index.cfm>.

### **Watch Out for Predatory Lending**

If you want to buy a home, you need to do a careful investigation and gather lots of information. You need to be aware of loan scams, what some people call predatory lending. How can you spot a predatory loan? Watch out for high interest rates (several percentage points higher than what your local bank might charge for a loan of the same size and term). Be on the alert for “balloon” payments (a payments schedule that offers low payments for a while but then requires you to pay off a big balance in a lump sum). Keep an eye out for monthly payments you can't afford, loans higher than the value of your home, and penalties for early payoff of the loan. Be on the lookout for extra loan fees and costs, such as credit insurance, that are very expensive.

Most important, be a smart borrower. Shop around. If you have poor credit, be wary of those who say that's not a problem. Don't take the first loan you are

offered. Never sign any blank forms. If you don't understand the forms, don't be shy – ask questions and if you still don't understand, get advice from a third person who is in the know and whom you can trust. For more information, visit the web site of the Mortgage Bankers Association of America at <http://www.stopmortgagefraud.com>.

## **Saving for the long haul: Investing in other ways**

### **Investing in a Microenterprise**

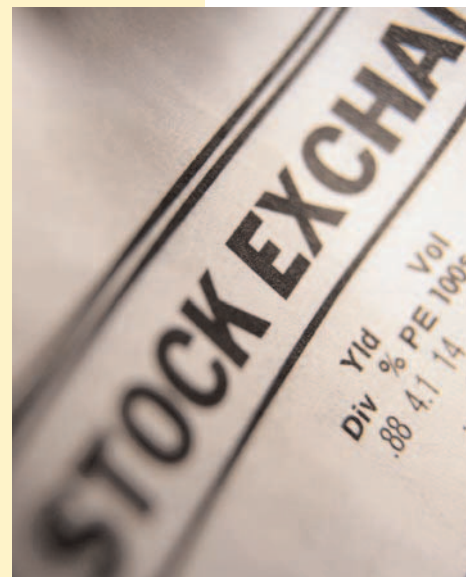
You can use your savings to start a small business, even a very small one (what some people call a microenterprise). The hot dog stand, the corner book cart, the small ice cream shop, and the single landscaping truck are all examples of microenterprises.

You may be able to start a very small business with several hundred or a few thousand dollars. Generally speaking, microenterprises require \$35,000 or less. Financial institutions typically will not provide business loans worth less than \$50,000, although there are some that have special programs that do. Shop around! Many microenterprises are started with people's own savings, loans from family and friends, and, often, money borrowed on a credit card (although that is expensive and can be risky).

Many people who own a microenterprise have a job as well. They start the microenterprise to gain extra income to pay bills, save for a home or for retirement, or purchase a computer or car. But a microenterprise can grow. Your business may employ one or more individuals. If so, you may need technical assistance on how to run your business and spend more time managing it. For more information and resources to help you set up and run a microenterprise, see the human capital section. For additional information, including facts about business start-up costs and start-up loans, visit the web site of the Small Business Administration at <http://www.sba.gov/starting/>; for micro-loans see <http://www.sba.gov/financing/frmicro.html>.

### **Stocks, Bonds, and Other Kinds of Investments**

You can invest your savings in many other ways. You can buy individual stocks (that represent a share in the ownership in a corporation) and bonds (that represent a loan you make to a corporation, a state or local government, or the federal government). You can also invest in mutual funds. A mutual fund is a company that pools together money from many people and invests it in stocks, bonds, and other investments. The company typically will have a manager who directs all the investing. Before you invest in anything, you should educate yourself about these and other choices for investments that you might have. You should learn what the risks are and the rewards you might gain by investing in any one of them. For example, government bonds are no or low risk, while corporate bonds can be medium or higher risk, depending upon who issues them. When you make your choices, take into account the amount of safe and secure savings you need to meet critical needs when emergencies occur or if your income from a job



## *Saving for the next generation's future*

State-promoted 529 plans help some families set aside money for their children's education. Families that save in this way do not have to pay federal taxes on income they earn on contributions to the plan. In some states, families can also deduct what they set aside from their taxable income in the year the contribution is made. Other families could get similar help, if the government directly matched their contributions to such plans. Or people in IDA programs could be allowed to put their savings and the match money in a 529 plan. More generally, it might be important to make sure that all children have a "stake" that can put them on the path to real opportunity when they become adults. This money could be used to pay for their college education or start-up of a business when they become adults. To learn more about ideas of this kind, visit the web sites [http://gwbweb.wustl.edu/csd/Publications/2001/ResearchBackground\\_01-6.pdf](http://gwbweb.wustl.edu/csd/Publications/2001/ResearchBackground_01-6.pdf) or [http://www.cfed.org/individual\\_assets/csa/summary.html](http://www.cfed.org/individual_assets/csa/summary.html) for the Center for Social Development and the Corporation for Enterprise Development.

drops unexpectedly. Even if you don't make such investments directly, if you have one of the retirement accounts described below, you will likely have a chance to choose your investments, so the knowledge you acquire is still important. You can test yourself on your investment savvy at <http://www.sec.gov/investor/tools/quiz.htm>. Learn more about what it takes to invest for success at <http://www.icief.org>

### **Retirement Accounts**

Planning for retirement is important. When people retire from work, they no longer have a steady stream of earnings they can use for expenses and saving. Even though retirement seems far off in the future, you have to start building now the assets you will need to live comfortably in retirement. There are three key components.

**Social Security:** Social Security provides you with very basic government guaranteed benefits when you reach retirement age. (It also assures you, your spouse, and your non-adult children of income in the event of your death or disability before retirement.) Whether you qualify for Social Security depends upon the number of years you work. What benefits you and your family members receive depend upon how much you earn during those years. So having a longer work and better earnings history can give you basic economic security in your later years. The money to pay these benefits comes from deductions from workers' pay and matching contributions from employers. To learn more about Social Security, visit the Social Security Administration's Web site at <http://www.ssa.gov/understanding.htm>.

**Work-Related Pension:** Some work-related pensions are provided directly and in some cases entirely by an employer. But these days the most common kind of work-related pension is what is called a 401(k) plan. Not all employers offer them, but many do. Usually, you qualify to start one after working for a certain number of months or several years. If you do qualify, you will usually be expected to make a contribution (through a deduction from your pay) that will be matched in some way by your employer. The money and the match go into your own special pension account that can, over the years, build up (through the contributions and from investment earnings on those contribu-

tions). The money set aside in this way is tax-deferred. That means you will not have to pay taxes now on the money you and your employer contribute or on what the contributions earn over the years until you withdraw the money. Typically, you will be able to withdraw funds without penalty after age 59 1/2. Check with your employer to see if you can start a 401(k) plan. Think seriously about starting one!

**Special Savings Accounts for Retirement:** Whether or not you are offered and choose to have a 401(k) or other work-related pension, you can start one of your own, namely, an Individual Retirement Account (IRA). To start and build such an account, you must make contributions of a percentage of your income, usually no more than 20%. If your income is not too high, the amount of earnings you contribute will not be taxed now. In fact, in some cases, what is called the Small Savers' Credit treats your contribution as a payment against other federal taxes you might owe. In any case, what income your contributions earn over the years is tax-deferred until you withdraw the money. Typically, you will be able to withdraw funds without penalty after age 59 1/2. There are several kinds of IRAs. Roth IRAs can offer you a better deal on taxes than regular IRAs. Education IRAs allow you to use what you build up in the account for college or other higher education for you or your family members. You can open IRA accounts at banks, credit unions, insurance companies, mutual fund companies, and other financial institutions. As mentioned in the human capital section, another way you can save for your children's college education is by participating in a federally authorized, state-promoted 529 plan.

Even if you are self-employed, you can benefit in the same ways. Self-employed persons are entitled to Social Security benefits because they, like employees, are required to make contributions to the Social Security system.



### *Saving for retirement*

Work-related pensions and special accounts for retirement, when combined with Social Security, are important to enjoying a secure and comfortable retirement. Many people build this kind of wealth in several ways. They make their own and often get the benefit of contributions from their employers who offer them a chance to join a retirement plan at work. Many also get a boost because of the taxes they save when they use pension and retirement contribution deductions on their tax returns. It is important to think about how others, especially workers in lower paying jobs, with jobs at small businesses, or who change jobs often, might get a similar chance and boost. For example, the government could help with a jump-starting contribution when they open up an account and, perhaps, match small contributions by those workers to their plans. Employers could be encouraged and supported in offering plans that their businesses can afford and from which their workers can really benefit. To learn about a wide range of ideas on increasing saving for retirement, visit the web site of the Pension Rights Center, <http://www.pensioncoverage.net/pdfs/whitepaper.pdf>. To find out more about specific ideas about jump-starting contributions and making it easier for small employers to offer pensions, see the Brookings Institution's and the Economic Opportunity Institute's web-sites, <http://www.brook.edu/views/testimony/iwry/2003o630.pdf>, and <http://www.econop.org/WVA/WVA-ProposalForUniversalPensionAccess2002.pdf>.

You may be able to set up a Self-Employment Retirement Plan (SERP) (which can either be called a Simplified Employee Plan or a Keogh Plan), somewhat like a 401(k) plan.

To find out about your pension rights and protections, visit <http://www.dol.gov/ebsa/publications/wyskapr.html>. For more information on IRAs and SERPs, visit <http://www.bankrate.com> and search under "retirement," or talk with a representative of your local financial institution. To learn more about 529 plans, you can call the College Savings Plans Network toll-free at 1-877-277-6496 or visit <http://www.collegesavings.org/>.

### **Managing savings and investments wisely**

Once you start on the path to financial security and opportunity, you have to manage what you save and invest. Keep track of your savings and investments, the interest rate or other income they earn or how they have performed during the time you have owned them. Read your monthly bank or other financial statements. If you do not receive a monthly or other statement or find errors in it, contact your financial institution immediately. Even if you have someone you trust who advises you on your savings and investments, you should ask as many questions as you need to understand the advice you receive. Even then, the choices you make should be the ones that you think are right for you.

For information about how to make a financial plan, set goals, evaluate your financial resources, and come up with financial strategies, visit the web site of the AARP at <http://www.aarp.org/finance/home.html> or of the Federal Reserve Bank of Dallas at <http://www.dallasfed.org/htm/ca/pubs.html>.

# LINKS TO INFORMATIONAL *Web Sites*

## **Knowledge and Skills: Where the Path Begins**

### **Starting with basic education**

<http://www.literacydirectory.org>

(to locate local adult basic education program)

<http://www.careeronestop.org>

(to locate local one-stop center)

#### *Accessing basic education (page 5)*

[http://www.workforcealliance.org/who/platform\\_wia.shtml](http://www.workforcealliance.org/who/platform_wia.shtml)

(Workforce Investment Act fact sheet)

<http://www.clasp.org/DMS/Documents/997116674.945/ita%20preliminary%20report%20may%202001.pdf>

(“Implementation of Individual Training Account Policies Under the Workforce Investment Act: Early Information from Local Areas”)

### **Getting the knowledge and skills to advance**

<http://www.bls.gov/oco/home.htm>

(“Occupational Outlook Handbook” on training and qualifications necessary for different jobs, what they pay, and the outlook for job growth)

[http://www.aacc.nche.edu/Content/NavigationMenu/AboutCommunityColleges/CommunityCollegeFinder1/Community\\_College\\_Finder.htm](http://www.aacc.nche.edu/Content/NavigationMenu/AboutCommunityColleges/CommunityCollegeFinder1/Community_College_Finder.htm)

(Community College Finder for general information about community and technical colleges)

#### *Opportunities to get the knowledge and skills to advance (page 6)*

<http://www.cbpp.org/5-18-01wel.htm>

(opportunities for TANF parents to better prepare for work)

<http://www.benton.org>

(opportunities for public access to computers and training in their use)

### **Exploring your choices for assistance to pay for college**

<http://www.petersons.com>

(financial aid for college)

<http://www.studentaid.ed.gov/PORTALSWebApp/students/english/publications.jsp>

(Federal Pell Grants)

<http://www.finaid.org>

(government student grants and loans)

*Accessing financial assistance for education and training (page 8)*

[http://futureworks-web.com/images/held\\_back\\_report.pdf](http://futureworks-web.com/images/held_back_report.pdf)

("Held Back: How Student Aid Programs Fail Working Adults" for ideas on how to improve student aid programs to better assist adult learners)

**Applying what you know to starting your own business**

<http://www.ncced.org/associations/index.html>

(to locate local community development corporation)

<http://www.microenterpriseworks.org>

(to learn about microenterprises)

<http://www.sba.gov/starting/>

(local training opportunities and helpful startup tools, checklists and resources)

*Preparation to run a business (page 10)*

<http://www.microenterpriseworks.org/services/policy/>

(to learn about the federal Small Business Administration's Program for Investment in Microentrepreneurs)

**Jobs Plus: A Path to More Than a Paycheck**

**Finding a job and the benefits that go with it**

<http://www.collegeview.com/career/>

(to match your interests and skills to job areas)

<http://www.careeronestop.org>

(to locate a local one-stop career center)

<http://www.one-economy.com/company/beehive.asp>

(searching and applying for a job)

<http://www.managingmymoney.com>

(searching and applying for a job)

**Gaining other benefits based on employment**

<http://www.cbpp.org/eic2002/index.html>

(to learn about and apply for EITC)

<http://www.irs.gov>

(search under "Child Tax Credit" to learn about recent changes)

<http://www.nwlc.org>

(to access "Credit Where Credit Is Due" to check eligibility for federal tax credits)

<http://www.taxadmin.org/fta/link/link.html>

(to check out state tax credits)

<http://www.dol.gov/elaws/flsa.htm>

(government rules on basic job protection)

*Increasing the value of a job and helping with expenses (page 15)*

<http://www.cbpp.org>

(to find out more about making work pay through the EITC)



<http://www.nwlc.org>

(to learn more about childcare tax provisions)

*Protecting the lowest paid workers (page 15)*

<http://www.epinet.org>

(boosting earnings through the minimum wage)

## **Getting by when your earnings are limited**

<http://www.hud.gov/faqs/faqrenting.cfm>

(to see if you may qualify for a federal rental assistance program or to locate a housing counseling agency)

<http://www.nlihc.org>

(to see if you may qualify for a federal rental assistance program or to locate a housing counseling agency)

<http://www.dol.gov/ebsa/pdf/cobra99.pdf>

(COBRA coverage)

<http://www.cms.hhs.gov>

(Medicaid and SCHIP programs)

<http://www.acf.dhhs.gov/news/welfare/stlinks.htm>

(Temporary Assistance to Needy Families (TANF) services and contacts)

<http://www.dol.gov/esa/regs/compliance/owcp/wc.htm>

(Workers' Compensation benefits and rules)

*Sustaining income between jobs (page 17)*

<http://www.nelp.org>

(for information about choices the federal government and the states have made and might make about unemployment compensation)

*Insuring against major health care expenses (page 18)*

<http://www.statehealthfacts.kff.org>

(to find out about health care coverage)

*Supplementing low earnings (page 18)*

<http://www.spdp.org>

(TANF policies)

## **Managing your money**

<http://www.consumerreports.org>

(guidance for buying a vehicle)

[http://www.consumer-action.org/English/library/credit\\_cards/index.php](http://www.consumer-action.org/English/library/credit_cards/index.php)

(how to use a credit card and its costs)

<http://www.equifax.com> <http://www.experian.com> <http://www.transunion.com>

(sites through which you can check your personal credit record)

<http://www.consumerfed.org/knowyourscore.pdf>

(explains how to interpret your credit score)

<http://www.one-economy.com/company/beehive.asp>

(how to manage your money wisely)

<http://www.managingmymoney.com>

(how to manage your money wisely)

## **Savings and Investments: Advancing Along the Path**

### **Starting simple: Saving**

<http://www.consumerfed.org/66ways.pdf>

(different ways to save)

[http://www.bankrate.com/brm/rate/atm\\_chk\\_home.asp](http://www.bankrate.com/brm/rate/atm_chk_home.asp)

(to compare available savings accounts, checking accounts and other financial services available)

<http://www.eta-find.gov>

(Electronic Transfer Account (ETA))

<http://www.ustreas.gov/firstaccounts/grantawards.html>

(Federal Government's First Account program)

<http://www.bankrate.com>

(Certificates of Deposit (CDs) and Money Market Accounts (MMAs))

<http://www.idanetwork.org>

(to find out if there is a local IDA program)

### *Improving connections with financial institutions (page 24)*

<http://www.brookings.org/dybdocroot/es/urban/capitalxchange/article10.htm>

(to get connected to financial institutions)

<http://www.brookings.org/dybdocroot/es/urban/capitalxchange/article4.htm>

(to get connected to financial institutions)

### *Removing "asset test" barriers to saving (page 24)*

<http://www.cbpp.org/9-20-00tax.htm>

("Building Retirement Savings Can Cause Low- And Moderate-Income Working Families To Lose Means-Tested Assistance In Times Of Need")

<http://www.cbpp.org/4-13-01wel.htm>

("Asset Tests And Low Saving Rates Among Lower-Income Families")

### *Encouraging saving (page 25)*

<http://gwbweb.wustl.edu/csd/>

(ideas about IDAs)

<http://www.cbpp.org/4-12-01hous.htm>

(Family Self-Sufficiency (FSS) program)

### **Saving for the Long Haul: Investing in a Home**

[http://www.ginniemae.gov/ypth/Info\\_Center/1\\_learn/govt\\_programs.htm](http://www.ginniemae.gov/ypth/Info_Center/1_learn/govt_programs.htm)

(federal home ownership programs)

<http://www.hud.gov/buying/localhomebuy.cfm>

(local down payment assistance programs)

<http://www.fanniemae.com/index.html>

(list of mortgage products)

[http://www.ginniemae.gov/ypth/rent\\_vs\\_buy/Rent\\_vs\\_buy.htm](http://www.ginniemae.gov/ypth/rent_vs_buy/Rent_vs_buy.htm)

(buying vs. renting)

<http://www.ncsha.org/section.cfm/4/39>

(to contact state housing finance agency)

<http://www.hud.gov/buying/index.cfm>

(homeownership process)

<http://www.stopmortgagefraud.com>

(predatory lending)

### **Saving for the Long Haul: Investing in Other Ways**

<http://www.sba.gov/starting>

(business startup costs and start-up loans for micro-enterprises)

<http://www.sba.gov/financing/frmicro.html>

(micro-loans)

<http://www.sec.gov/investor/tools/quiz.htm>

(tools to test investment savvy)

<http://www.iciief.org>

(how to invest for success)

<http://www.ssa.gov/understanding.htm>

(Social Security)

<http://www.dol.gov/ebsa/publications/wyskapr.html>

(pension rights and protections)

<http://www.bankrate.com>

(Individual Retirement Accounts (IRAs) and Self-Employment Retirement Plans (SERPs))

<http://www.collegesavings.org>

(529 savings plans)

#### *Saving for the next generation's future (page 30)*

[http://gwweb.wustl.edu/csd/Publications/2001/ResearchBackground\\_01-6.pdf](http://gwweb.wustl.edu/csd/Publications/2001/ResearchBackground_01-6.pdf)

(saving for the next generation's future)

[http://www.cfed.org/individual\\_assets/csa/summary.html](http://www.cfed.org/individual_assets/csa/summary.html)

(Children's Savings Accounts)

#### *Saving for retirement (page 31)*

<http://www.pensioncoverage.net/pdfs/whitepaper.pdf>

(increasing saving for retirement)

<http://www.brook.edu/views/testimony/iwry/20030630.pdf>

(jump-starting contributions)

<http://www.econop.org/WVA/WVA-ProposalForUniversalPensionAccess2002.pdf>.

(making it easier for small employers to offer pensions)

### **Managing Savings and Investments Wisely**

<http://www.aarp.org/finance/home.html>

(how to make a financial plan, set goals, evaluate your financial resources, and come up with financial strategies)

<http://www.dallasfed.org/htm/ca/pubs.html>

(how to make a financial plan, set goals, evaluate your financial resources, and come up with financial strategies)

# SOURCES OF

## *Statistical Data*

### **Getting the knowledge and skills to advance** (page 6)

U. S. Census Bureau, **The Big Pay Off: Educational Attainment and Synthetic Estimates of Work-Life Earnings**, Washington, D.C., July 2002,  
<http://www.census.gov/prod/2002pubs/p23-210.pdf>

### **Exploring your choices for assistance to pay for college** (page 8)

The College Board, **2001-2002 College Costs: Keeping Rising Prices in Perspective**, New York, NY, 2002,  
<http://www.collegeboard.com/article/0,1120,6-29-0-4494,00.html?orig=sec>

### **Making the most of what a job offers - Health Insurance** (page 13)

Sullivan, T., Warren, E., and Westbrook, J., **The Fragile Middle Class: Americans in Debt**, Yale University Press, New Haven, 2000.

### **Insuring against major health care expenses** (page 19)

Kaiser Commission on Medicaid and the Uninsured, **The Uninsured and Their Access to Health Care**, Washington, D.C., January 2003,  
<http://www.kff.org/content/2003/142004/142004.pdf>

### **Getting by when your earnings are limited - Temporary Assistance to Needy Families (TANF)** (page 19)

Parrott, S., and Neuberger, Z, **States Need More Federal TANF Funds**, Center on Budget and Policy Priorities, Washington, D.C., May 2002,  
<http://www.cbpp.org/5-20-02tanf.htm>

### **Saving for the long haul: investing in a home** (page 26)

Board of Governors of the Federal Reserve System, **Flow of Funds Accounts of the United States, Flows and Outstandings Second Quarter 2003**, Washington, D.C. 2003  
<http://www.federalreserve.gov/releases/Z1/current/z1.pdf>

### **About the Center on Hunger and Poverty and Asset Development Institute**

The Center on Hunger and Poverty promotes policies that improve the lives and developmental capacities of low-income children and families in the nation. Established in 1990, the Center conducts applied research and policy analysis, disseminates analytic information on poverty and hunger, carries out public education initiatives, and provides assistance on poverty and hunger-related issues to policy makers and organizations across the country. The Center's programs are carried out through the Asset Development Institute and the Food Security Institute.

The Asset Development Institute (ADI) was established in 1999 by the Center on Hunger and Poverty to promote and advance a new domestic policy framework. ADI's work grows out of the Center's longstanding leadership role in promoting new policy choices to reduce hunger and poverty in the nation by addressing their root causes. Its mission is to broaden and refine the asset development concept; familiarize the public, the media, and state and national policy leaders with an asset development policy approach to ending poverty; analyze and promote the most compelling policies for building assets that can serve as a model for state and federal policy development; and support diverse constituencies in advancing asset-based policies and programs.

The Center on Hunger and Poverty and the Asset Development Institute are a part of the Heller School for Social Policy and Management at Brandeis University.

### **About the Community Affairs Unit of the Federal Reserve Bank of Boston**

Each of the 12 Federal Reserve Banks maintains a Community Affairs office to work with depository institutions and the public to identify local credit needs and develop innovative ways to address those needs. The Community Affairs staff provides information about successful initiatives and programs for community reinvestment, small business lending, affordable housing finance, and rural and economic development issues. The Community Affairs Office is a resource for the Community Reinvestment Act, technical assistance and regulatory guidance to community-based organizations, government entities and others engaged in community and economic development efforts.

**For a copy of this booklet, visit us at:**

[www.bos.frb.org/consumer/pathways/](http://www.bos.frb.org/consumer/pathways/)  
[www.centeronhunger.org/ADI/adipubs.html](http://www.centeronhunger.org/ADI/adipubs.html)

**Or contact us at:**

**e-mail:**

PublicComm.Affairs-Bos@bos.frb.org  
kstevens@brandeis.edu

**mail:**

Pathways to Getting Ahead Booklet  
Public and Community Affairs Department  
Federal Reserve Bank of Boston  
P.O. Box 2076  
Boston, MA 02106-2076

Asset Development Institute  
Center on Hunger and Poverty  
Brandeis University  
Mailstop 077  
Waltham, MA 02454

**Public and Community Affairs**

**Federal Reserve Bank of Boston**

P.O. Box 2076

Boston, MA 02106-2076

Phone: 1-800-409-1333

Fax: 617-973-3511

[www.bos.frb.org](http://www.bos.frb.org)

**Asset Development Institute**

**Center on Hunger and Poverty**

**Heller School for Social Policy**

**and Management**

**Brandeis University**

Mailstop 077

Waltham, MA 02454-9110

Phone: 781-736-8885

Fax: 781-736-3925

[www.centeronhunger.org](http://www.centeronhunger.org)