

Time has come to help majority of American homes out of financial struggle, report says

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The state of infrastructure in the United States may be declining, but if it reached a point where nearly every family had trouble finding a passable bridge, something would be done. Yet that's the condition of the country's financial infrastructure, and many families are being denied access to the bridge. A new report from a University of Kansas professor argues households' financial health in America is unacceptable and the time has come to build a bridge to financial inclusion to help families escape poverty, pay bills, save money and be more financially sound.

A majority of U.S. households are struggling financially in some way, and as many as 25 percent of the poorest families are unable access to basic [financial services](#) such as bank and savings accounts. Terri Friedline, assistant professor of social welfare and director of financial inclusion in the Center on Assets, Education and Inclusion of KU's School of Social Welfare, authored "Building Bridges, Removing Barriers: The Unacceptable State of Households' Financial Health and How Financial Inclusion Can Help." The report calls for policy changes and support of advocacy groups working to improve financial inclusion for all.

"The report describes why we should care about financial inclusion and how we can make financial products like bank and savings accounts more accessible and safer to use," Friedline said. "If we care about things like families not being able to pay bills, save for retirement, buy homes, be entrepreneurial, pay for college or receive medical treatments because they can't afford them, then we should also care about financial

inclusion. It is a first and basic step to alleviating those problems."

The report points out just how widespread the financial struggle is, citing Pew Charitable Trust reports that show 41 percent of American households do not have enough savings to cover a medical emergency and Center for Financial Services Innovation data that show 59 percent of households are living paycheck to paycheck.

The report's second chapter details how financial inclusion, at the very least making bank or savings accounts accessible to all, can be a bridge to financial health. Basic accounts are often the first step to financial inclusion. Yet, FDIC data show 31 percent of American adults have no savings account and up to 25 percent of the most vulnerable households have no bank account at all. Friedline and AEDI colleagues' previous research has shown that households' ownership of bank or savings accounts positively predicts their access to mainstream financial products and services, accumulation of low-cost, secured debt and protection from high-cost, unsecured debt.

While there are policies in place throughout the country to encourage financial inclusion, they are piecemeal and often regional in nature, the report states. Important efforts to improve access exist in some cities, such as programs to encourage banks to offer more affordable financial products, or that establish savings accounts for children; however, these programs are only available to families that are fortunate enough to live in those regions. Moreover, many financial inclusion efforts have not been designed to work together. Such piece-mealing is also evident in a "two-tiered, bifurcated financial system that funnels lower-income households toward high-cost financial products and services, and the mixed messages from policy that serve to impede financial inclusion," the report states.

"We tell families that it's important to save, but on the other hand we

make it difficult for them to do so," Friedline said. "Many accounts have high minimum balances or requirements for initial deposits. The amounts required for these balances or deposits are often equal the amount of money a family needs to cover a financial emergency. A family who makes a withdrawal from their account for an emergency may be charged fees when their balances is too low, essentially kicking them when they're down. So, we need to make sure that policies are designed well to support families' financial inclusion."

The report calls for designing policies at the local, state and national levels that work together and aligning existing policies to work toward mutually beneficial goals. National policies that encourage financial inclusion are ideal as they can have the widest reach and they may be necessary to support local and state efforts, Friedline said. The report also calls for protecting consumers through stronger regulation and oversight of the financial services industry, strengthening of the Community Reinvestment Act and supporting efforts such as the Cities for Financial Empowerment Fund's call for accounts that are low cost with a minimum opening deposit of \$25 or less, no monthly maintenance fees or as low as \$5 and no overdraft fees.

The report can be beneficial to policy makers with its stated policy goals and also to regulators and consumer advocates by continuing to add evidence and support for financial inclusion.

Overall, the report is intended to indicate how widespread the problems of financial insecurity and exclusion are in the United States and how financial inclusion can be a bridge from insecurity to the safer ground of financial security and independence.

"If you're a fairly well-off household, then you probably cross that bridge every day and never think about it," Friedline said. "But if you're in most households, or in a low-income household and the bridge is

constantly crumbling, you can't rely on it. Given that financial struggle is so widespread, this is an 'us' problem. Not an 'us versus them' problem. We all need to cross this bridge some way, and hopefully together so that no one is left behind."

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More information: Building Bridges Removing Barriers:
[aedi.ku.edu/sites/aedi.ku.edu/ ... /FI/reports/Building
%20Bridges%20Removing%20Barriers.pdf](http://aedi.ku.edu/sites/aedi.ku.edu/.../FI/reports/Building%20Bridges%20Removing%20Barriers.pdf)

Provided by University of Kansas

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