Speaker 1:

Welcome to the Keys to Financial Inclusion Podcast brought to you by National Disability Institute's Center for Disability-Inclusive Community Development. Hear from thought leaders in the disability and financial communities who will share insights, analysis and emerging strategies to improve and increase investing, lending and service activities for people with disabilities. Now, here's your host, Michael Morris.

Michael Morris:

I'm so pleased to have as our guest today, Ray Boshara:, director, and assistant vice president with the Federal Reserve Bank of St. Louis. He is director of the Center for Household Financial Stability. The center conducts research around family savings, assets and debts. Before joining the fed in 2011, Ray was vice president of New America, a well known think tank in Washington, DC where he launched and directed their asset building financial inclusion and next social contract policy programs. He also formally, was the policy director at CFED, now called Prosperity Now, and on the domestic policy staff of the US House Select Committee on Hunger.

Michael Morris:

Many of you know, Mr. Boshara's work as he is widely credited with leading the campaign to enact the Assets for Independence Act, which created thousands of individual development accounts throughout the US. He has also [inaudible 00:01:43] baby bonds, Roths at Birth and other bills the US Congress has helped utilize to establish savings accounts for all kids. I could go on and on. I will say as well that Ray is a graduate of Ohio State University, Yale Divinity School, and the John F. Kennedy School of Government at Harvard. Ray, thank you for joining us today for this important podcast on Center for Disability-Inclusive Community Development and the Keys to Financial Inclusion.

Ray Boshara:

Thank you, Michael. First of all, congratulations on the establishment of the center and NDI's impressive work over many years. Before we get started, let me just state that these are my own views and not necessarily the views of the Federal Reserve System or the Board of Governors.

Michael Morris:

So with that, let me take us to questions. As you know, National Disability Institute established in June, 2019, a new Center for Disability-Inclusive Community Development to bring added and new attention to financial institutions on the unmet needs of low and moderate income people with disabilities and encourage greater investment and lending activities to support this population. Let's start out with helping our audience understand what does inclusive community development mean to you, and why is it important?

Ray Boshara:

So I'd say two things when I think about inclusive development. First is, full inclusion in policies and programs all, everyone means everyone, and I call this inclusion by default or design. What do I mean by that? So let me give you an example. You mentioned baby bonds in the introduction. Well, the state of Maine created a $500 college savings account at birth for all kids; one of the first in the nation to do that. They started off with an opt-in policy, families had to sign up and they only got 40% of the families in the state to sign up despite extensive marketing efforts. They switched to an opt-out, so that you are in by default, by design and participation is now 100%. So that's what I mean by inclusion, by design or default. I'd love to see that concept extended to other programs that are, "available to all families," but not necessarily utilized, so like health insurance, for example. So that's the first thing I mean by inclusion, inclusive community development.

Ray Boshara:

The second is that actually, inclusion in what programs or policies are actually offered in the first place. That's governments and foundations and others proactively reaching out to people with disabilities and others to include them in the decision making process, but it's also people with disabilities and others running for positions on city councils, advisory boards, et cetera. So basically, it comes down to whether or not for example, people with disabilities and others get to decide whether we have a child development account policy or baby bonds policy, and then having input into the design of that policy and making sure that it's fully inclusive because if we don't do full inclusion, people are necessarily going to be left out and that's why inclusive has to mean inclusive.

Michael Morris:

Thank you, Ray. As director of the Center for Household Financial Stability at the Federal Reserve Bank of St. Louis, what have you learned are the most pressing challenges people of low and moderate income face? Is it access to credit? Is it managing debt? Is it both and/or other identified challenges? What can you share with us?

Ray Boshara:

I think it's a tough question and a really good one given how many barriers struggling families face today. But I think we have to start with the recognition, especially by policy makers and media and others, that in fact, families are struggling. We're living in what I call of a headline economy. Unemployment is low and the economy is growing at a pretty good rate. These are pretty well markers that a lot of folks on Wall Street and policymakers like to brag about, but underneath that headline economy is an economy where a lot of families are struggling. So I think we first have to recognize that that anywhere between 40% and 57%, according to latest data, really are having a hard time achieving financial stability or financial health. So with that recognition, I'd say there are three things that are probably most challenging for low income families.

Ray Boshara:

First, is simply managing the ups and downs of their financial lives; volatility. Several studies show that that's actually increased a lot in the last few decades. So families are having significant income and expense spikes roughly five months out of every year. Unfortunately, the spikes in income don't match with the spikes and expenses. So you have a lot of uncertainty and volatility in family's lives. The second would be, and I think compounding that problem, is lack of emergency savings to smooth out that consumption. One study showed that you might've heard that four in 10 Americans could not cover a $400 unanticipated expense without borrowing or selling something. Okay? So we have record high consumer debt, which is both contributing to the problem and a symptom of the problem, but it's really managing cashflow, I'd say, is probably the larger challenge that families face on a daily basis.

Ray Boshara:

Finally, I would just mention that families don't have enough savings, assets and net worth. They don't have strong balance sheets to manage both resilience and as well as provide opportunities for upward economic mobility. In 1989, the bottom 50% of the population owned only 3% of the nation's wealth. That number has dropped to 1%. So the bottom 50% of the population owns 1% of the nation's wealth.

Michael Morris:

Thank you, Ray. I think it leads us to this next question. National Disability Institute has been studying the intersection of race, gender, and disability in the low and moderate income population. It presents added challenges to equity and inclusion. What can community groups and financial institutions do to be more responsive to these challenges?

Ray Boshara:

Well. First, I think it's important to note how severe, how significant the race and gender wealth gaps are, which are of course, further compounded by disability. The gender wealth gap in general, men have about three times the amount of wealth that women have. The black, white wealth gap; there's a gap of about a factor of about 10. Whites have about 16... Sorry, about $160,000 in media network compared to $16 for blacks. And the Hispanic wealth gap is a factor of about seven. So these are really significant gaps that are compounded by disability. So first and foremost, I think we have to do what I mentioned earlier, inclusion by design or default to make sure that the groups with the least amount of wealth are included in whatever policies and programs we design. But then I'd say we have to go beyond that. We need to target along these lines.

Ray Boshara:

Typically, we use income determining who gets benefits and who does not. And yet, I think income is not only very volatile and unpredictable, but it's just not as powerful a predictor of financial vulnerability as these demographic factors are. So when you're designing a program, you want to think, "Okay, what can we do more for women, for nonwhite persons, for disabled people?" Use those other criteria, not just income when sort of figuring out who should get benefits. But then I'd also say you have to make sure these programs are not only inclusive, but progressive. Can we have not only some kind of a benefit for everybody, but greater benefits for people who are vulnerable because of their race or their gender. I'll also say in a minute, because of their education or their age.

Michael Morris:

Thank you, Ray. This does take us to the next question where your center has looked very closely at the role that education and birth year or age have played in efforts to achieve equity and inclusion. Can you say more about that?

Ray Boshara:

Yes. Our center has really tried to put this idea of a demographic lens, so understanding who's vulnerable and who's not to go beyond income, as I mentioned. As you've noted, we've studied race and we've studied genders to some extent, but we also need to be looking at education and age or the year you were born. So the largest wealth gap that we documented here at the fed was between less and well-educated Americans. The gap was 18, a factor of 18. The most well-educated family had a net worth close to $450,000 compared to $24,000 for somebody less educated. Okay. So the only people who've built wealth in the last generation have been people with college degrees. Whereas those with less than that, their wealth has placed basically flat lined. Okay. I think we need to think about less skilled Americans also being very vulnerable and especially, in this economy. For that reason, we need programs that build up skills apprenticeships for more struggling families, such as Project QUEST in San Antonio or LaunchCode here in St. Louis and elsewhere.

Ray Boshara:

But then also not just education, but age or birth here and this often surprises people. It's really remarkable how much worse off today's young Americans are compared to their parents at a similar age. So we found specifically, that somebody born in the 1960s is projected to have 11% less wealth than their parents did at the same age. If you're born in the seventies, it's 18% less. And if you're born in the eighties, get this, it's 34% less wealth compared to their parents at the same age. Economically, younger Americans are growing up in a very different world; a gig economy, student loans, weaker safety net, and it's really effecting their prospects to get ahead. So I think it's important to look at both education level and age in sort of predicting which families are economically vulnerable.

Michael Morris:

Those are shocking statistics. I know as someone with two daughters that fall into some of those categories, they face enormous challenges ahead with the economy and with the state of financial inclusion in today's world. I think the solutions singularly don't belong to any one entity, whether it's the fed or other federal regulators or policymakers. Foundations play a significant role, nonprofits, the business community. How can all of these groups work more together to promote equity and inclusion, particularly keeping in mind people with disabilities?

Ray Boshara:

Mm-hmm (affirmative). Well, what I think we need to do is come around a couple of basic ideas. The first is that, and this is actually a relatively recent development in our field, the first is that we have to think about stability first and then upward economic mobility. As you know, Michael, this asset building field guide started with the idea that low income people will not get ahead unless they also can accumulate assets. We were very centered on this idea of longterm wealth creation. Well, it turns out the families we worked with in demonstrations and conversations really had a hard time thinking about the longterm until they felt stable in the short term. This has been confirmed by different surveys, so Pew, US Financial Diaries. Overwhelmingly, over 90% of Americans feel that stability precedes or as a prerequisite for upward economic mobility.

Ray Boshara:

So I think the first thing we need to do then is, what do we do to promote financial stability among struggling families, including families with disabilities? Here, I think the real key, and there's four or five studies that all point to the same policy recommendation, is emergency savings or to quality credit. Nothing will do more to stabilize families and lay a foundation for upward economic mobility than making sure that they can manage the ups and downs to their financial lives, stabilize their finances. So emergency savings really has a disproportionate effect on this stability of family. I would love to see policy makers and foundations all come together to see what we can do to improve that, whether that's at the workplace, or at tax time, through apps. There's a whole range of interventions that appear very promising.

Ray Boshara:

Then secondly, start laying the foundation for mobility on top of stability. Here, as you mentioned, I'm a huge fan of baby bonds and other programs that set up savings accounts at birth. We've made great progress throughout the US of setting up 529 college savings accounts for all kids. I would love to see that concept extended to all kids nationwide. But we have to think about current generations too. So in addition to setting up baby bonds for future generations, could we establish better supports at the workplace through able accounts, for example, that make it easier for struggling families and families with disabilities to build skills and apprenticeships and relationships that would let them also move up the economic ladder?

Michael Morris:

Thank you, Ray. I'm very excited to ask you about this next set of concepts called pooled risk of wealth loss. I read an article that you wrote last year, "Next Big Thing In Building Wealth," certainly got my attention and I think the attention of many others> Are there other ideas that you see are part of what you would call, the future of building wealth or other next big things in building wealth?

Ray Boshara:

Sure. Thank you, Michael. The title had the intended effect, got you to read it. So let me start with what we see as the problem. I'm fortunate to have a fellowship with the Aspen Institute that allows me to think a little bit more creatively and broadly about some of these issues. So the big issue is this. There's a declining share of our income that's coming from the labor market. We all know that for the last 40 or 50 years for struggling Americans, their wages have been basically flat or declining. That means that the money they earned through their jobs is not what it used to be, and especially in real terms. The amount of money you earn from the labor market isn't keeping up with the cost of living. Because people are earning less in the labor market, they have less money to save and build wealth.

Ray Boshara:

If you're using more and more of your budget to simply get by or having to take out debts, because you don't have enough money to get by, where's the leftover money to build a longterm asset or a scale? It's just not there necessarily for a lot of families. So I think what we have to do is think creatively about other sources of income and ownership in the 21st century. That's the idea here. Let me give you two specific examples of where I think we need, the two frontiers, the two next big things. One is of course, that whatever wealth you do accumulate, we have to make sure that it's protected better than it has been in the past. So I propose this idea of family wealth insurance, and we had the good fortune of working with professor Robert Schiller on this idea.

Ray Boshara:

Basically, the idea is we pull the risk of losing your income. Think about unemployment insurance, disability insurance, food stamps. We have all these great programs that need to be strengthened, but we do have these programs that if you lose your ability to work or generate an income, public policy will replace part of that income. But if you lose your wealth, you're kind of on your own. There's no safety net for losing your wealth. So the idea is that maybe we could also pull the risk of losing your wealth in the same way that we pull the risk of losing your income, and I call this family wealth insurance. That's the first piece. For the wealth that you do accumulate, whether it's through a home or a business or savings or investments, let's all collectively pull the risk of losing that so it's not all on the individual.

Ray Boshara:

The second idea is a little more radical perhaps, is that maybe the data that the companies are largely mining right now and making a lot of money off of, your personal data, we've talked a lot about privacy issues, but we're not really talking about that as an opportunity to generate some wealth. So what if you claimed your data as your own, you monetized it and you've had to be paid for the use of your data? So your own data becomes a source of income and asset, as opposed to something you're essentially giving away free to others. We call this the data dividend or digital wealth. But the key point here is that we have to think of other sources of income and wealth in the 21st century, and have to make sure that we better ensure the wealth that we do accumulate going forward.

Michael Morris:

Those are two incredible concepts. I'm curious, whether are you at a point exploratory or otherwise with a foundation or policy makers, it could even be at a state level or at the federal level, with either of these concepts?

Ray Boshara:

Yes, we are talking with policy makers about the data dividend, especially in California, where the governor has keyed up this idea and has kind of turned to us to kind of figure out what could this look like, and are there foundations that could help test the idea? So yes, we are on that path. The family wealth insurance idea is being tested through a few small private companies that we hope will yield enough result, that we could take the concept a little bit more broadly and perhaps test it at the statewide level.

Michael Morris:

Thank you. We'll be eager to learn more and see how those concepts build out in the future. My next question is about FDIC data. We mine this data. It's made available publicly every two years. They survey unbanked and underbanked households nationwide. We've been working with that data over a period now of eight years and what that data indicates, unfortunately, with not much change over that time period, is that almost one in two working age adults with disabilities are unbanked and/or underbanked. Can you share with us your own views, how could financial institutions do more in terms of products and/or services to change this picture?

Ray Boshara:

Mm-hmm (affirmative). Well, I was shocked by that number when I first saw it and I really think that financial institutions can and should be doing more to help facilitate financial inclusion among people with disabilities. I think there's been some encouraging progress on that front, but we're not where we need to be. So I do know for example, that some banks don't necessarily require you to go into the bank anymore to actually open up an account. You can do a lot of things online, and I think that's enormous progress and we need to build on that. Similarly with home buyer counseling, for example, increasingly you can do that from the comfort of your own home. I'm very encouraged by financial institutions, meeting people where they are, where they start their financial lives, not where the banks necessarily want them to be. They really have to do far more on that front.

Ray Boshara:

Secondly, I think thanks to the good work of my other colleagues here at the St. Louis fed and the Cities for Financial Empowerment Fund, we have national standards for Bank On. These standards need to be adopted more broadly so that financial institutions have some guidelines and have some templates when they reach out to financially vulnerable people, including people with disabilities. So I would love to see more financial institutions adopt these guidelines and to use them as they increase their outreach efforts to families with disabilities. These accounts standards are great. I understand that there are 22,000 branches now that are complying with these standards, but we need to take those standards into the homes and proactively into communities with large numbers of disabled people.

Ray Boshara:

So I think that's really good. I also think credit unions can play a much bigger role, certainly here in St. Louis. The St. Louis Community Credit Union is providing a model for how to do financial services with struggling people, including access to emergency savings, starters savings accounts, building up credit scores. I would love to see all that. Then finally, I think we should embrace FinTech, but with a lot of caution. It's a little bit of the Wild West right now. There are some FinTech companies that are working with reputable nonprofits to provide easy, affordable and safe access to financial services. One that I like in particular is called Even, which Walmart has adopted for all of its employees. Basically, it smooths out your consumption. So when you have a little bit of extra in your paycheck, it saves it. And when you need a little extra in your paycheck, it takes it from that savings account and it does that automatically. So I think approach FinTech with some caution, but understand that it does hold some promise as well.

Michael Morris:

Thank you. Maybe a next area, or as we move towards the end of this interview, think broadly. The whole reason we started the Center for Disability-Inclusive Community Development is to make sure that the kinds of issues you're talking about not just mobility, but also stability for individuals and families, that those discussions are inclusive of people with disabilities. What advice do you have for people with disabilities and the disability community, which has not had a lot of engagement with mainstream regulated financial institutions and has not really talked to the regulators, the policy makers in this space, like the fed and OCC and FDIC? What would you suggest to them as a starting point for them to build more important, impactful relationships?

Ray Boshara:

Mm-hmm (affirmative). Sure. One opportunity might be to seek out opportunities to serve on the advisory boards and advisory councils of federal reserve banks of the FDIC, of the OCC, of the Board of Governors. They have community advisory councils that pull from different... They try to be representative of the communities that they serve. I think this would be a super of opportunity for people with disabilities to seek out. Wherever you have a relationship with a federal reserve bank, inquire about their community advisory council and similarly, about the one that the Board of Governors has. It's a great way to have input into the directions and the kinds of investments that the fed might make. Similarly, financial institutions have community advisory boards that they think are really important, definitely pursue those.

Ray Boshara:

Third, as I said earlier, try to be part of the decision making process, not just sort of outside of that. How do you do that? I think it's important to work with the CRA sides of banks, to work with public affairs, to work with community relations. So that's all really important, but I think you have a better opportunity to have impact if you can have impact on the business side of the bank. So seek relationships on that side of the bank as well. Then I guess the last two things I mentioned very briefly, host round tables for financial institutions, bring them together. Let's educate them about the particular needs of disabled persons and communities, hold them accountable for what they're going to do, build the relationships. So convene them and lay out the issues that you think are really important. So much of this is about relationship building, so you have to build those relationships.

Ray Boshara:

Then the final thing I'll mention is with regards to the community reinvestment act, The St. Louis fed, Cleveland fed, Kansas City, New York, I think it's growing throughout the system, have something called investment connection. This is an opportunity for nonprofit groups seeking CRA investments to be in a room with the banks that want to make the investments. So it's an exchange of information and ideas for these groups. It's basically a matchmaking opportunity. So seek out investment connection opportunities in communities around the country.

Michael Morris:

Thank you, Ray. Excellent advice for the disability community and other communities, whether defined by race, gender or otherwise. There are a lot of opportunities to build relationships. National Disability Institute has held a what's called Financial Inclusion Summits in some 50 cities across the country that has brought bankers to the table, round table discussions with disability leaders in cities across the country, develop recommendations. Many of these cities, they're now working on implementing those ideas. Some are policy, some are service delivery, product development. Your thoughts are right there with things we've been thinking about and doing. Maybe to close up, I know you don't have a crystal ball, no one does, but it seems so appropriate in the year 2020, which has always meant really looking ahead and having certain vision; your center for household financial stability, I know we don't have a crystal ball, but if you were to look ahead over the next five years, might you identify a short list of where you see really, new achievements and real movement ahead to create equity and inclusion?

Ray Boshara:

Well, interesting. So I'm encouraged by the fact that more and more Americans, even across the political spectrum, see inequality and wealth inequality as a problem to be solved. Historically, as you know, when we've reached certain levels of inequality, there's been a large policymaker response to those. It tends to be very cyclical. I wrote a book on the progressive era and I think conditions are similar for what I would call another progressive era, and it tends to follow these great periods of inequality. So I do think we're poised to do something significant for low income and struggling families, although, it's hard to say exactly what that might be. So I think that's first.

Ray Boshara:

Secondly, is much greater opportunities for families who don't have four year college degrees. Companies like LaunchCode and Project QUEST that I mentioned earlier, I think these are going to catch on like wildfire and create skills and opportunities for families who... for whom college simply is not their path. I'm very encouraged by that. Then third, as I mentioned, there's growing consensus around emergency savings and financial stability is really generating all kinds of innovation among employers, retirement savings providers, tax time professionals, a whole range of people that are really thinking hard about, how can we stabilize families? So I'm very encouraged by that as well.

Michael Morris:

Thank you, Ray. You've been a tremendous guest. I fully expected you would cover such a range of both citing data, providing insights and sharing with us some wonderful new ideas to look ahead and create equity and inclusion for low income populations nationwide, including people with disabilities. Keys to Financial Inclusion Podcast series is about bringing insights, projections and analysis from thought leaders in the disability and financial community. As director of the Center for Household Financial Stability at the Federal Reserve Bank of St. Louis, we are just as appreciative as we can be for your work, for your insights and your continuing tireless efforts to bring equity and inclusion to so many more people with and without disabilities in this country. Thank you so much.

Ray Boshara:

Thank you. Thank you, Michael. I really appreciated the opportunity and congrats again on your great work and on the establishment of the center.

Speaker 1:

You've been listening to the Keys to Financial Inclusion Podcast brought to you by National Disability Institute. Please subscribe to the podcast on Apple Podcasts, Google Podcasts, or wherever you listen to podcasts. To learn more about National Disability Institute, visit www.nationaldisabilityinstitute.org. Thanks for listening, and we'll be back soon with a new episode.