EMPOWERING FAMILIES THROUGH INVESTMENT
LIFT'S FAMILY GOAL FUND

BY HELAH ROBINSON, NATIONAL PROGRAM DIRECTOR, LIFT

For more than 20 years LIFT has proudly partnered with over 100,000 families on their paths out of poverty. We know from experience that parents are motivated, resilient, and thrive when they have access to the same things we all need to succeed — a financial cushion to weather emergencies, social networks that open doors to opportunities, and personal supports that give you the hope and confidence to get through hard times.

But the harsh reality is that too few families have these critical financial, social, and personal resources, making it nearly impossible to invest in the future or prevent a downward spiral following an emergency. Something as simple as a car breaking down can spell disaster for families living on the brink — losing reliable transportation to work can lead to a lost job, dropping out of school, or even ultimately an eviction.

Today, as the COVID-19 public health crisis escalates and reaches all corners of the globe, LIFT families and others like them are facing unexpected and catastrophic emergencies every day. Many of our parents work hourly jobs that are being scaled back or cut completely due to the virus. As a result, they are starting to struggle to secure childcare, stay on track with bill payments, buy groceries, or pay for healthcare. These immediate challenges can lead to greater instability, such as loss of housing, which will continue long after the pandemic subsides.

In moments like these, giving people financial cover is an effective way to provide much needed stability and ensure long-term security. Recognizing this, the Federal Government is acting quickly to get cash into taxpayers' hands in the face of the coronavirus pandemic.[1]

At LIFT, we know that giving people cash works both during, and outside of, times of crisis. In 2018, LIFT integrated direct, unrestricted cash infusions into our two-year coaching program, and our results speak for themselves. We have proof that parents have the answers, that they know what's best for their families, and that they should be trusted to make the right decisions.

The Government is rightfully trying to get much needed resources to families now, but the lessons we learn today must not be forgotten. These policies must continue to inform national approaches to the social safety net long after the COVID crisis has passed.

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1 Cochrane, Emily, and Nicholas Fandos. "Trump Seeks $500 Billion in Payments to Americans in Relief Plan." *The New York Times*, 18 Mar. 2020, www.nytimes.com/2020/03/18/us/politics/donald-trump-coronavirus-trump-stimulus.html. Accessed 19 Mar. 2020.

THE PROBLEM:
FINANCIAL VOLATILITY CANNOT BE PROGRAMMED AWAY

Racial and gender inequality, as well as documentation status can significantly increase a parent's vulnerability to poverty. At LIFT, where 99% of the parents we serve are people of color, 88% identify as female, and nearly one third do not have the legal right to work, our communities are the hardest hit. Despite this reality, however, our parents thrive.

LIFT's coaching program works with parents to set and achieve career, education, and financial goals that move their families towards greater economic security. In the past year alone, 92% of families who committed to our program made progress on their goals, while nearly 50% of LIFT parents increased their incomes by more than $14,000 a year.

But thoughtful planning and guidance aren't always enough. Over time we recognized that even the most motivated parents could still get knocked off track by seemingly small financial shocks which trigger a cascade of challenges that are hard to recover from.

The current public health crisis makes the situation even more stark. Just two days into Coronavirus-induced quarantine, over 70% of LIFT families have already experienced wage or job loss due to the virus, and nearly 20% more expect to face the same in the next few days or weeks.[2] The progress these parents were making in LIFT's coaching program is now in serious jeopardy. For example, one LIFT parent in Chicago had recently secured a new, higher-paying job after months of hard work. However, her new company has postponed her start date and is considering erasing the position entirely.

And living on the brink is not unique to LIFT parents. According to a recent study, four out of 10 Americans would not be able to cover $400 in unexpected expenses without selling something or going into debt.[3] This means tens of millions of Americans are $400 away from a falling into a cycle that is difficult to break.

Further, being able to weather financial shocks is only half the battle. Constantly struggling to make ends meet, and often falling short, leaves little time or money to invest in long-term goals and get ahead—goals like completing higher education or advanced certifications. As one member told us, it feels like "everything prevents you from moving up…and like everything is intended just to survive."[4]

Our parents are driven and capable; they are not deterred by the hard work of balancing childcare, jobs, and studying. But without enough saved up to cover tuition, books, or the ride to school, taking the big leap forward can be out of reach.

CHRISTINA'S STORY

LIFT parent Christina came to us two years ago looking for connections to food and clothing support for her children. Though Christina did not have the legal right to work, she was able to set and achieve hard-earned goals in LIFT's program. Over the past two years, she went back to school, got a job, started her own construction company, and became a first-time homeowner. Access to LIFT's Goal Fund were pivotal in helping her stay on course, rebound in crisis, and make her entrepreneurial dreams a reality.

2 This was as of 3/18/2020, before many states shut down non-essential businesses or implemented shelter-in-place policies. We anticipate the situation will continue to get worse for LIFT families and others like them.

3 United States. Board of Governors of the Federal Reserve System. *Report on the Economic Well-Being of U.S. Households in 2017-May 2018. Washington: Federal Reserve*, 19 June 2018. https://www.federalreserve.gov/publications/2018-economic-well-being-of-us-households-in-2017-dealing-with-unexpected-expenses.htm. Accessed 1 May 2019.

4 LIFT Member. Personal interview. 8 Feb. 2016.

THE SOLUTION: LIFT'S FAMILY GOAL FUND

Recognizing that parents know what they need most to succeed but often don't have the luxury of investing in themselves, LIFT began piloting cash transfer programs five years ago. After testing matched savings, restricted use, and reimbursement models, we learned a clear lesson: restricting how parents could spend the money both stymied their ability to advance and added unnecessary administrative costs.

That is why in 2018 we introduced the LIFT Family Goal Fund, an unrestricted cash transfer program designed to help parents build a small buffer from the stressors that come with living in poverty and accelerate their progress towards long-term goals. As parents persist through LIFT's coaching program, they receive $150 every three months (regardless of documentation status) that they can spend in any way they see fit — be it paying a heating bill during a Chicago winter that would otherwise require credit card debt, starting an emergency savings fund to weather unexpected future expenses, or paying to take a Certified Nursing Assistant licensing exam on their path to a higher paying job.

Regardless of how parents ultimately spend their Fund, the intention is the same—to reduce stress from the churn of daily expenses, help them stay on track, and empower them to make real progress towards their dreams and aspirations.

After two years of implementing the Family Goal Fund, one thing has become abundantly clear: parents make progress when you invest in them.

INVESTING IN HERSELF: DOMINQUE'S STORY

Over one year ago when Dominique came to LIFT she was raising three young children while juggling a housing search, looking for work, and finding a way to continue her education.

In partnership with her LIFT coach, Dominque created a plan to pursue a long-held dream of owning her own business, but she wasn't able to access traditional investment funds to help her get started. Undeterred, Dominique registered for local entrepreneurship classes, using her Family Goal Fund to cover the costs of enrollment. Unsurprisingly, she completed the class with flying colors.

Dominque has since successfully launched her own cleaning services business. She is already gathering employees, launched her new website, and is securing contracts with new clients every day. *Even the small boost from the Family Goal Fund helped Dominique take a critical step towards her goal.*

As Dominque put it, "working with LIFT has kept me on track with my 'new beginnings'. LIFT has helped me keep my priorities in order, especially when my life becomes as busy as you could imagine. I am a person who gives 100% towards anything I do and me starting my business full-time was the perfect opportunity to give my 100%."

WHAT WE'VE LEARNED

Cash transfer models of all types face common concerns — that they create perverse incentives, people will spend "irresponsibly," or funds won't help unless coupled with strict conditions or restrictions on how they can be used. Now the proof is in the data — these tired tropes are wrong.

PARENTS SPEND ON VITAL NEEDS

Since the Fund launched, LIFT has issued nearly $340,000 to over 700 families.[5] We believed parents would use these funds to create a little slack in their monthly budgets (giving them some much needed breathing room), or investing directly in themselves and their long-term goals. As it turns out, parents do exactly that.

LIFT parents planned to spend 45% of their Funds on basic needs (e.g. food, utilities, and rent) and 35% on building savings for emergencies or long-term goals. We found that parents actually spend the funds as expected; they spent just over 30% of their funds on food or groceries, 20% on transportation needs like gas or car repairs, and nearly 10% on expenses directly related to goals. Parents have also used the cash infusion to change the trajectory for their entire family; several have started college savings accounts for their children while others used the funds to register small businesses, giving them greater control of their income.[6] These investments have allowed parents to stay on track longer and accelerate their progress towards long-term stability.

PARENTS COME FOR COACHING, NOT CASH

In LIFT's coaching model, parents are expected to meet with their coach at least once a month. But we know their lives can be hectic, so we leave room for flexibility to accommodate their schedules. With that flexibility came concerns about how often parents would come. Would the Fund's three-month cadence incentivize parents to only come to LIFT every 90 days?

Short answer — no, it does not.

To the contrary, LIFT parents meet with their coach every 26 days on average, and fewer than 2% of members regularly have meetings three months apart. It is clear that parents see value in LIFT coaching beyond the $150; it is a supportive tool to help them along their journey, not a driver to participate in it.

The Fund also enables parents to persist longer through the program. Before integrating the cash infusion into our coaching model, only about half of LIFT parents made it to a second meeting, and even fewer continued. With the Fund's support, not only did 50% of members persist for at least six months, but 40% remained in the program for a year or more.[7]

We've seen that coupling strong coaching support with small infusions of cash, and trusting parents to make informed choices on how to use them, has made a real difference in helping LIFT families commit and stay consistently engaged for the long-haul.

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5 As of 3/18/2020.

6 Based on member interviews from Oct-Dec 2018 and members' self-reported intended use data.

7 As of 4/25/2019, among members who have been in the program long enough to have the opportunity to persist for 12 months or more.

PARENTS MAKE PROGRESS WHEN YOU INVEST IN THEM

Parents who receive the Family Goal Fund make more progress towards their goals, faster. Among parents who engaged in the program for at least one year, those that received the Family Goal Fund **set and completed more goals** than those who did not, suggesting that access to the financial support helped LIFT families more intentionally plan for and achieve long-term goals.

More parents were also able to take concrete steps towards financial security once we introduced the Goal Fund. After completing one year in the program, 62% members who received the Fund were able to save consistently, compared to only 39% of members who did not receive funds. Over the same time period, those who did not have access to the Family Goal Fund showed little progress on being able to avoid paying late fees on their debts. Conversely, among members with access to the Fund, the share who reported paying a late fee decreased from 38% to 29% after one year in the program.

BUILDING THE EVIDENCE BASE

Our findings confirm external research showing the power of investing in people. In a recent analysis, the Financial Clinic found that receiving public benefits (i.e. cash or cash-like infusions) such as TANF, SNAP, and housing assistance had a stabilizing effect for families and made them significantly more likely to reduce their debt.[1] Early results from a study in Stockton, CA where 125 families started receiving $500/month in early 2019 tell a similar story. In Stockton, nearly 40% of participants' tracked purchases went to food, nearly 25% to clothing and home goods, and just over 10% on utilities such as electricity and gas.[2] In other words, when given the chance, people make spending choices that help them make ends meet and take steps towards greater financial stability and success.

1 The Financial Clinic. "Change Matters The Financial Clinic's Customer Insights Volume 1: Consumer Debt." *The Financial Clinic*, 2018, https://thefinancialclinic.org/wp-content/uploads/2018/10/ChangeMatters-Debt-Profile-Final.pdf. Accessed 1 May 2019.

2 Caiola, Sammy. "Stockton's Income Experiment Offers Residents a Glimpse of the California Dream." *KQED*, 3 Oct. 2019, https://www.kqed.org/news/11777782/income-experiment-offers-stockton-residents-a-glimpse-at-the-california-dream. Accessed 1 Nov. 2019.

WHERE WE GO FROM HERE: KEY LESSONS FOR POLICY MAKERS

LIFT's Family Goal Fund demonstrates that parents have the agency and expertise to chart their own successful paths forward.

In today's moment of crisis, social service organizations (like LIFT), government at all levels, and other key stakeholders are acting quickly to get cash directly into families' hands.

It's critical that policy makers keep these lessons in mind as federal, state, and local governments pay heightened attention to the future of the social safety net—and use this evidence to design a better system.

KEY LESSONS FOR POLICY MAKERS

- **We can trust parents.** If given access to funds — and the right to choose how to spend it — our data show that parents spend on what they need most. Contrary to popular belief, parents can be trusted to make smart choices and spend money in the ways they intend to — to create some breathing room each month, invest directly in their goals, or overcome emergencies that otherwise could spell disaster.

- **Fewer restrictions, more results.** Existing cash and cash-like supports such as food stamps (SNAP), welfare (TANF), and the rest (e.g. WIC) are vital resources that help families get by. Offering more of these supports, not less, is the most effective way of reducing child poverty.[8] However, overly burdensome eligibility criteria and enrollment procedures, income limits that create a sudden loss in benefits (the "benefits cliff"), and stringent restrictions on how funds can be used often prevent families from accessing what they need, when they need it. We know parents spend funds on their most vital needs without being forced to do so; adding burdensome requirements adds administrative costs that are unnecessary. More effective approaches would cut the red tape and be more responsive to keeping families afloat and moving forward.

- **More bang for your (public) buck.** Research shows that increasing families' incomes during a child's earliest years leads to better long-term academic performance, health outcomes, and employment for their children.[9] These outcomes save money; a recent report estimated that without more investment in families, the consequences of child poverty will cost the nation between $800 billion and $1.1 trillion each year.[10] Investing in parents and helping them reach family-sustaining careers early in their children's lives would save the country trillions of dollars in the long-run. Our results show that even small cash infusions can help do just that by pulling parents back from the brink of crisis and making them more successful at achieving educational, career, and financial goals.

After more than two years of implementing the Family Goal Fund, our results show what LIFT has always believed — that parents are motivated to give their children a better life than their own, and that they can be trusted to make smart decisions to get it done. Given the current challenges many low-income families are facing, it is imperative that the government moves now to get money into the hands of those who need it most. But it cannot end there; we must work together to ensure that families have access to the resources they need — and are empowered to use them — long into the future.

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8 National Academies of Sciences, Engineering, and Medicine. *A Roadmap to Reducing Child Poverty.* Washington: The National Academies Press. 2019.

9 Duncan, Greg J., et al. Boosting Family Income to Promote Child Development. *The Future of Children*, vol. 24, no. 1, 2014, pp. 99-120, doi:10.1353/foc.2014.0008.

10 National Academies of Sciences, Engineering, and Medicine, 2019.

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