

## HELPING RURAL FAMILIES BUILD ECONOMIC SUCCESS: EARN IT, KEEP IT, GROW IT

### ABOUT THIS SERIES

The area of human services is a long-standing priority for members of the Association of Small Foundations (ASF). According to the ASF 2007-2008 Foundation Operations & Management Report, ASF members gave more than \$620 million to human services in their most recent fiscal year, second only to education. At the core of human services is the well-being of children and families. This discussion guide, one of the series Investing in Strategies to Serve Vulnerable Children and Families, is designed to: provide clear and concise information to ASF members and other small foundations on strategies for supporting nonprofits that serve vulnerable children and families; and to share concrete ways that small foundations can invest in creating productive adulthoods for vulnerable children.

This discussion guide series is funded by and draws on the experience, learning, and resources of the Annie E. Casey Foundation. The Casey Foundation is the largest philanthropy in the U.S. dedicated to improving the lives of vulnerable children and families. The Casey Foundation is driven by its mission to find the most effective solutions that narrow the gap between children growing up in areas of concentrated poverty and their peers. Their work reflects the core belief that children do well when their families are strong and families in supportive communities are able to raise healthy and productive children.

### MAKING THE CASE

When her 14-year car broke down in the winter of 2006, Elizabeth Grobman of Wheeler, Wisconsin, felt like the bottom dropped out of her life. Living in a small town (population 317), she relied on her car for everything – to get to work, to go to school, to go the grocery store, to take her son to his doctor. A low-wage earner and divorced mother, she needed a new start. A non-profit organization in her area, JumpStart, helped her purchase a reliable and affordable car (a two-year old Chevy), which has allowed her to travel to a better-paying job and keep attending classes to become an administrative assistant.

In Vermont, Good News Garage, a non-profit organization supported by ASF member The Oakland Foundation, among others, provides similar services, helping low-income families afford car ownership. One client of Good News Garage said this: “I work two jobs and am planning on going back to school. I also have two little boys that go to daycare and appointments, and now with this car, trips to the lake! Again, thank you.” An impact study conducted by Good News Garage showed that 83% of those surveyed attributed the ability to keep a job to a car.

Whether it is car ownership and reliable transportation, good jobs and benefits, affordable options for housing and health care, and access to non-predatory financial services, rural families face an uphill battle and have a thin safety net to keep the bottom from dropping out of the lives. The popular misconception is that poverty in America is mainly an urban phenomenon, but in fact it is not. A few statistics that reveal the depth of rural poverty:

- Of the 50 counties in the U.S. with the highest child poverty rates, 48 are in rural areas;
- One in four rural workers age 25 and older earn low wages – wages that even when earned on a full-time, full-year basis are less than the poverty threshold for a family of four;
- A quarter of all rural residents under age 65 are not covered by any type of health insurance; and
- Low-income rural families are heavily represented among the almost 15% of American households who do not own a checking account.

This discussion guide is focused on strategies for supporting nonprofits that address rural poverty. The guide includes an overview of the **Earn it, Keep it, Grow it** framework developed by the Annie E. Casey Foundation and provides suggestions on ways you can invest in rural families, questions for discussion, and a list of additional information and resources. Whether you already fund programs that address the economic needs of rural families, or are considering doing so, the guide will spark your thinking and deepen your understanding of effective strategies to support nonprofits that work with rural families.

**Growing up Rural Doesn't Have to Mean Growing up Poor:  
Strategies to Earn, Keep and Grow Assets<sup>1</sup>**  
(Reprinted from *Philanthropy & Rural America*, Council on Foundations, 2008)

Rural people work hard but far too many struggle to meet their families' needs. Even those who can make ends meet are at risk for financial disaster. For families who lack savings or other assets that function as financial shock absorbers, a blown tire or emergency room visit becomes not just a bump in the road but a financial calamity.

The romantic vision of rural childhood is rosy-cheeks, carefree outdoor adventures and wholesome food. But for many children, growing up rural means growing up poor: Half of all rural families that have young kids are poor and one-third of rural families headed by a single parent are poor. The picture is not improving. Between 2000 and 2005, rural child poverty increased in 41 states.

Greater economic security would be within the reach of many more rural families if the successful strategies being applied in numerous locations were more widely available. These efforts help families earn enough to support themselves, keep enough of their earnings to be financially healthy, and grow those earnings to become financially secure. Across rural America, foundations, nonprofits and policymakers are investing in effective programs that help families achieve economic success.

Strengthening families strengthens communities. When families have more earnings and income, their spending boosts local businesses. When they build savings and assets, they become the homeowners and business owners who build local economies. As financial stakeholders, they are taxpayers and civic leaders, spurring better public services, education, health care, housing, Main Street businesses and jobs.

At a fundamental level, these linkages between the economic well-being of families and their communities are universal. However, the opportunities, challenges and solutions vary substantially. Data from the United States Department of Agriculture's Economic Research Service demonstrate that the more rural the community is, the higher the poverty rate. And, as in urban America, there is a strong link between race, place and poverty. In the Great Plains, persistent poverty is concentrated among Native Americans; in the South and Southeast, among African Americans; in the Southwest and border counties, among Hispanics.

Increasing families' financial assets is critically important in improving long-term economic prospects. Having income helps families get by. Having assets helps them get ahead. As great as the income deficit is for many families, they face an even greater wealth gap. Assets-savings, equity in a home or business, higher education, retirement accounts-mean the difference between living paycheck to paycheck and building financial stability. Having assets that can be leveraged gives families the resilience to ride out financial reversals and to invest in their own futures.

At the Annie E. Casey Foundation, we outline three strategies needed to build Rural Family Economic Success-Earn It, Keep It, Grow It. Many excellent examples of effective solutions are being implemented across the country, supported by foundations, the public and private sectors and led by capable social entrepreneurs.

### **Earn It**

Most rural families struggle to earn enough to meet their needs because available jobs don't pay enough. Forty-two percent of rural jobs are low-skill and vulnerable to dislocation. One of every four rural jobs would not lift a family of four out of poverty even if the job was full-time and year-round. Given this, it is not surprising that a survey of 6,500 randomly selected rural residents conducted by the Carsey Institute, a research institution at the

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<sup>1</sup> *Miriam Shark, the author of this article, manages the Annie E. Casey Foundation's efforts to apply its philosophy that "children do well when their families do well, and families do better when they live in supportive communities" to rural America. She is a Senior Associate in the Office of the Senior Vice President.*

University of New Hampshire, found that 84 percent consider lack of job opportunities to be a serious problem and 73 percent would advise teenagers to move away to find better opportunities. Out-migration contributes heavily to many rural communities' struggle to remain viable.

Effective approaches to increasing families' earnings focus on helping people to qualify for a job, land and keep a job, and advance in a career. The Lumina Foundation is addressing low-educational attainment. With funding from foundations, two nonprofits, West Central Initiative, in rural Minnesota, and Southern Good Faith Fund, in rural Arkansas, are building career-ladders in high-demand sectors. The National Fund for Workforce Solutions, a joint project of the Hitachi, Ford and Casey Foundations, the United Way of America, the Council on Foundations and Jobs for the Future, will announce a rural strategy this winter.

Many funders are using program-related investments (PRIs) to increase and improve jobs in rural communities. A PRI is a social investment—a low-interest or forgivable loan or equity investment—made by a foundation to an organization aligned with the foundation's goals. The F.B. Heron Foundation is investing a quarter of its assets in such endeavors, including many rural projects. The Northwest Area Foundation created Invest Northwest, an equity fund, to help keep and grow businesses in its eight-state region.

As a consequence of low-wage employment, hard-working rural families face a Structural deficit—the gap between what they can earn and what it costs to maintain even the most basic standard of living. How do families close this gap? Many go without necessities such as health care or insurance. Half of bankruptcies are due to illness or medical bills. People double up to meet housing or transportation needs. Twenty-five percent of those surveyed by the Carsey Institute confirmed they hold multiple permanent jobs and 50 percent do odd jobs to make ends meet. Ten percent of rural residents receive Food Stamps (compared to 7 percent of urban residents) and 32 percent of rural children rely on SCHIP or Medicaid (compared to 26 percent of urban children).

One of the most powerful "gap closers" for rural families is the Earned Income Tax Credit (EITC), a refundable federal credit (23 states have a state add-on) that rewards work and boosts income. Targeted to families earning low-to-moderate wages, the EITC lowers or eliminates taxes owed. If a worker does not owe taxes, or if the credit is larger than taxes owed, the worker receives a cash payment (or refund) after filing a federal return.

When eligible families take advantage of the EITC, this acts as an economic stimulus for the community. In one analysis in Iowa, EITC refunds generated as much economic stimulus as the hospitality industry. While 18 percent of rural families claim the EITC—getting an average refund of \$1,700—25 percent or more of eligible workers do not. Moreover, many who claim the credit pay high fees to have their taxes prepared and for "refund anticipation loans," thereby reducing the impact.

Many foundations, community groups, state and local governments are working aggressively to ensure that all eligible workers know about and claim the credit, that they do so for free or low cost, and that they are aware of opportunities to use the refund to improve their economic security. At the national level, the EITC Funders Network, including over 80 national, regional, local and family foundations, recently sponsored the first convening of current and prospective rural EITC funders.

### **Keep It**

While it's important to get rural families on the road to higher earnings, it's equally important to acknowledge the other side of the equation—expenses. True, the cost of living is 16 percent less in rural communities than in urban communities. But rural families earn 25 percent less than their urban counterparts.

There is a high cost to being rural and poor. One problem is that rural residents often can't find affordable financial services. Many mainstream institutions have pulled out of low-income areas, and high-cost predatory lenders are filling the void. Rural residents are increasingly the target of exploitive services—payday lending, check cashing, car title loans, rent-to-own, refund anticipation loans—that result in excessively high rates for mortgages, loans and cash. Seventy percent of payday loan customers in Kentucky are lower-income residents, reflecting a nationwide pattern.

Families living on the margin often have lower credit scores, which also contributes to the high cost of being poor. Kentucky Youth Advocates found that low-income residents, compared to their higher-income neighbors, typically pay \$500 more for the same car, two percentage points more to finance it, and \$384 more per year to insure it. This pattern is especially evident in the rural counties of eastern Kentucky.

Good financial education and advice can help families avoid these "money traps:" and the availability of affordable alternatives is equally important. For example, the Pennsylvania Credit Union Association is making affordable short-term loans available to customers as an alternative to exploitive payday loans. Finding ways to decrease the costs of basic goods and services also is vital. Bonnie CLAC (Car Loans and Credit) helps low-income families in northern New England purchase base-model new cars at favorable terms, and many other programs help families acquire affordable, reliable used cars.

### **Grow It**

Over the long haul, having assets is what enables families to be financially successful. Asset development is the focus of considerable work in rural America, and many foundations are supporting effective programs and promising innovations. Increasingly, the road to wealth is understood as a pathway along which families progress at various rates, sometimes slipping back a step or two and sometimes catapulting forward.

Savings provide a critical cushion, but many rural families struggle to save. One quarter of U.S. households don't own enough to support themselves at the poverty line for three months. One-quarter of female-headed households and one-third of minority-headed households have zero or negative net worth.

With this in mind, communities, foundations and policymakers are developing strategies that help low-income families save for retirement, buy a house or start a small business. Individual Development Accounts (IDAs) are matched-savings accounts in which families save towards a specific asset and their deposits are matched through resources provided by government, philanthropy or the private sector. These accounts are helping many working poor families buy their first home, make home improvements, pay for post-secondary education or job training, start their own businesses and, in some programs, purchase cars or tools. National, regional and local foundations, United Ways, and the federal, state and local governments provide critical support to help operate and fund IDA programs.

The widespread use of IDAs demonstrates that low-income families can and do save, when conditions are favorable. While a terrific innovation, IDAs are not as rural-friendly as possible. The federal program, for example, doesn't allow IDAs to be used to purchase cars—a vital asset rural families need to reach jobs in areas without public transportation.

Equity in a home is one of the best paths to upward mobility, but it is complicated in rural America. While 82 percent of rural families own their homes, those homes are worth half as much as urban homes. And rural homeowners have 40 percent less equity than urban homeowners. Moreover, owning a home won't help a family prosper unless the home increases in value over time. In rural communities, this is far from guaranteed. In high-amenity areas, where housing prices are escalating, families may be priced out of the housing market. In high-poverty areas, where economies are stagnant or declining, homes may be depreciating assets.

Manufactured housing (including mobile homes) represents 12 percent of rural homes and is the fastest-growing affordable housing. But homes on leased land in a trailer park typically are not treated as real estate, are financed at a higher rate, and do not receive the mortgage interest tax benefit. Moreover, owners are vulnerable to displacement when the park owner decides to sell. One promising effort to expand home-ownership opportunities for low-income families involves helping residents of manufactured housing parks buy and manage their communities as Resident Owned Communities. This enables homeowners to improve their living conditions and stabilize their costs, and also to build equity that produces long-term stability. An initiative to make manufactured housing a better option for rural families, known as "I'm Home," is managed by the nonprofit CFED and supported by the Ford Foundation.

Small-business ownership is another important pathway to upward mobility in rural America. Seventeen percent of household wealth is business equity, second only to home equity. Philanthropy and the public sector are helping to grow entrepreneurs in several ways, improving the prospects for rural employment and economic vitality.

Many community foundations, including the McKnight Foundation-initiated Minnesota Initiative Foundations—as detailed in Kate Wolford's essay in this journal are working to create a supportive business infrastructure in rural areas. The National Rural Funders Collaborative is investing in high-poverty communities to expand business opportunities for minority residents. The RUPRI Center for Rural Entrepreneurship is a resource on effective rural practices.

Asset building has great potential to have a lasting, long-term impact on rural low-income families' economic well-being. When low-income families have assets, they no longer struggle to ride the tide. They raise the tide, by becoming economic investors in their own futures and in their communities.

### HOW YOU AS A FUNDER CAN ACT

There are many ways that you as a funder can support **Earn it, Keep it, Grow it** strategies. These strategies are most successful when pursued together. Nonprofit organizations may specialize in one strategy and provide linkages to or partner with another organization to implement the other strategies.

#### **Earn it.**

**Earn it** strategies help rural families earn more assets and include education, job readiness, landing and keeping a good job with benefits, advancing in a career, and helping families fill gaps by taking advantage of supports like tax credits. As a foundation, consider supporting nonprofit organizations that provide:

- *Education programs* that help low-income high school students their families to take the necessary steps toward college and programs that help community college students achieve success by training instructors to spot students in trouble and providing counseling and tutoring services to these students.
- *Workforce training programs* that encourage progress toward higher-paying jobs, as well as programs that have credit status at community colleges, thus allowing students to qualify for Pell grants.
- *Work support and resource centers* that assist individuals through telephone counseling and on-line to find, keep, and move up in employment; locate affordable, quality child care services; and refer individuals to other programs and services.
- *Free or low-cost tax preparation programs that allow rural income earners to access their full federal Earned Income Tax Credit (EITC)*, which can help close the gap between what they earn and what it takes to maintain a basic standard of living. Also, look to fund programs that support marketing and outreach to encourage eligible families to file for the federal EITC or are advocating for establishing a state EITC.

#### **Keep it.**

**Keep it** strategies allow rural families to keep more of what they earn by expanding affordable options for transportation, child care, housing, health care, and goods and services; building financial literacy; and combating predatory financial services. Consider funding:

- *Financial literacy training programs* that empower low-income families to make smart financial choices and achieve better financial management. Look for programs that are workplace- or church-based, held at times that easily accommodate workers' schedules, can count toward Temporary Assistance for Needy Families (TANF) work requirements, and are linked to or provide a channel to affordable financial services.
- *Affordable financial services* that help rural families spend wisely, save money, repair credit, and avoid predatory lending. Look to support community development financial institutions (CDFIs – institutions whose primary mission is community development) and non-profits that are partnering with CDFIs to develop new financial products that better meet low-income peoples' needs including loans that help people pay off payday lenders, provide overdraft protection, and deposit a portion of a loan into an interest-bearing savings account.
- *Affordable car ownership programs* similar to the JumpStart and Good News Garage programs mentioned in this guide. These programs provide quality used cars, low-cost new cars, or donated cars, including inspection, repair, and warranty; and access to low-interest loans for families in rural areas.
- *Affordable health care services* that seek to overcome the barriers to these services including programs that organize and link health care resources and strategies across regions, and promote collaboration (such as school-based programs for oral health preventive services), and technology (tele-medicine or e-medicine).

### **Grow it.**

**Grow it** strategies help rural families accumulate assets, attract business to rural communities, support entrepreneurs, and promote local and regional economic development strategies. Examples include:

- *Individual Development Accounts (IDAs)*, or matched savings accounts in which families save toward a specific asset or purpose (home ownership, home improvements, education), with the deposits matched by the government, foundations, or the private sector.
- *Home ownership programs* that encourage low-income families to become homeowners by contributing their labor to the construction of their home and their neighbors' homes – mutual self-help housing. Also, look to support programs that include buying and managing mobile home communities. Because mobile homes on leased land are not treated as real estate and therefore don't receive other financial and tax benefits, rural families living in manufactured housing cannot grow equity in their home like other home-owners do.
- *Small business development/ownership programs*, including those linked to or part of a CDFI, that provide new and existing small enterprises with business development assistance (business planning, marketing, legal/insurance/licensing, accounting, etc.), and access to capital, technology, and markets.

### **Make Program-related Investments (PRIs).**

In many instances, **Earn it, Grow it, Keep it** strategies like the ones above can take the form of a PRI. PRIs are loans or other investments made by a foundation to support its charitable purpose. PRIs count toward a foundation's distribution requirement as long as they meet a few basic requirements, and the best part is that the funds are generally returned to the foundation to be used for other PRIs or for grants. For example, you could use a PRI to help a CDFI increase its capital base to provide more home loans and business financing to rural families. A PRI could also help a non-profit with a car ownership program in rural areas expand its inventory of low-cost new cars. To learn more about how your foundation can use PRIs, see the ASF Primer listed in the Resources and Additional Information section below.

### **Advocate.**

While foundations cannot engage in partisan political activity, lobbying or earmark grants for lobbying purposes, they can fund and engage in advocacy! Common funding strategies for advocacy include giving project support or general operating support to organizations that engage in advocacy and issuing reports on advocacy work. Funders can engage in advocacy on issues surrounding rural poverty by bringing together grantees, policymakers, or other interested persons to discuss a particular policy issue, such as an EITC state add-on (only 23 states have the add-on – is your state one of them?); writing letters to the editor of the local paper on the high cost of being poor in rural America, and much more. To learn more about how private foundations *can and cannot* engage in advocacy, see the ASF Primer listed below under Resources and Additional Information.

### **Give more than money.**

Foundations have much to offer beyond their philanthropic funds. A few ideas include:

- Convene a group of diverse stakeholders to talk about the challenges of rural poverty and opportunities to address rural poverty. Share the **Earn it, Keep it, Grow it** framework and explore others that are successful.
- Convene your grantees for a peer learning workshop. Share strategies that help rural families earn more assets, keep more of what they earn, and grow their assets.
- Speak publicly about rural poverty and **Earn it, Keep it, Grow it** strategies or any issue that you are passionate about!
- If you are a part of the legal or financial professions, or started your own business, use your professional expertise to tutor individuals in financial literacy or advise small business start-ups; and
- Post a list of local resources on your foundation's website.

## QUESTIONS FOR DISCUSSION

- Quiz Bowl: Do you think the following statements are true or false? Where did you get the information to make your decision – this discussion guide, from the newspaper, from the evening news, from your own first-hand experience, etc. (Answers can be found at the end of this guide.) How did you do? What surprised you?
  1. Urban working poor earn more than rural working poor.
  2. Predatory lending and payday lending are increasingly a threat in low-income rural communities that lack adequate commercial banking services.
  3. Poor rural families are more frugal and save more than their urban counterparts.
  4. Rural poor work primarily in agriculture.
- What unique challenges do rural families face when it comes to getting ahead and securing long-term economic success – in terms of education, employment, home ownership, etc.?
- In the faces of these challenges, what **Earn it, Keep it, Grow it** funding strategies do you think would be the most effective for small-staffed foundations such as yours?
- What types of **Earn it, Keep it, Grow it** programs and projects might you fund to address the challenges that face rural families? Do you make PRIs? If so, what projects might lend themselves best to PRIs?
- If you want to begin funding non-profits that work with rural families, how might you get started? If you are already funding in this program area what, if anything, might you do differently as a result of this discussion?
- If you are funding in this program area, would a partnership make sense? Who might you partner with? Who are some other small foundations and groups in your community that already work to help rural families?

## RESOURCES AND ADDITIONAL INFORMATION

1. Achieving the Dream: Community Colleges Count ([www.achievingthedream.org](http://www.achievingthedream.org))
2. Annie E. Casey Foundation\* ([www.acef.org](http://www.acef.org)) – Strengthening Rural Families special interest area
3. Center for Rural Entrepreneurship ([www.energizingentrepreneurs.org](http://www.energizingentrepreneurs.org))
4. Community Investment Network ([www.communityinvestmentnetwork.org](http://www.communityinvestmentnetwork.org))
5. EITC Funders Network ([www.eitcfunders.org](http://www.eitcfunders.org))
6. Family Funders Network ([www.familyfunders.org](http://www.familyfunders.org))
7. Good News Garage ([www.goodnewsgarage.com](http://www.goodnewsgarage.com))
8. JumpStart ([www.westcap.org/jumpstart/car.htm](http://www.westcap.org/jumpstart/car.htm))
9. National Rural Funders Collaborative ([www.nrfc.org](http://www.nrfc.org))
10. ROC USA ([www.rocusa.org](http://www.rocusa.org))
11. W.K. Kellogg Foundation ([www.wkkf.org](http://www.wkkf.org)) – Rural People, Rural Policy initiative
12. *Philanthropy & Rural America*, 2008, Council on Foundations ([www.cof.org](http://www.cof.org))
13. *Transforming Higher Education: National Imperative-State Responsibility*, 2006, National Conference of State Legislatures ([www.ncsl.org](http://www.ncsl.org))
14. ASF Primer *Leveraging Your Assets with Loans Other Program Related Investments (PRIs)* ([www.smallfoundations.org](http://www.smallfoundations.org))
15. ASF Primer *Funding and Engaging in Advocacy* ([www.smallfoundations.org](http://www.smallfoundations.org))

\*Portions of this Discussion Guide were excerpted from the following publications of The Annie E. Casey Foundation's Strengthening Rural Families special interest area:

- Affordable Car Ownership Programs: Transporting families toward financial stability and success
- An Overview of Rural Family Economic Success: Earn it, keep it, grow it
- The High Cost of Being Poor: What it takes for low-income families to get by and get ahead in rural America
- Mortar and Muscle: Building community and assets through self-help housing
- RUBAN: Bridging economically isolated rural and urban communities
- Southern Bancorp and Southern Good Faith Fund: Tailoring financial services to help families get ahead

### OTHER DISCUSSION GUIDES IN THIS SERIES

This discussion guide is one in a series on specific topics related to investing in strategies to serve vulnerable children and families. For other discussion guides, and for information on hosting an ASF Local Program, please contact ASF toll-free at 888-212-9922 or [asf@smallfoundations.org](mailto:asf@smallfoundations.org).

### QUIZ BOWL ANSWERS

1. **True.** Urban working poor do earn slightly higher wages than rural – but the difference between them is less than \$2/hour.
2. **True.** Predatory lending and payday lending are not only issues for poor families in urban, inner-city communities, but also for poor families in rural areas.
3. **False.** Research from The Annie E. Casey Foundation indicates that both urban and rural poor households have very low savings rates.
4. **False.** Very few rural working poor are agricultural workers – in fact, they largely work in the same industries as the urban working poor.