



Financial Capability & Asset Building



We seek to increase the number of low-income adults and/or youth who adopt positive financial behaviors and accumulate and preserve financial assets

More than 2 billion people globally do not use formal financial services to save or borrow money.¹ Research indicates that access to financial products and services such as savings, payments, and credit that are tailored to the needs of lower income and unbanked people can make a positive impact in their lives, enabling them to participate in the economy. Yet, even as they gain exposure and access to financial services, limited capability to understand options and terms of use of available products can further hinder their economic stability. Achieving proficiency in making short-term and long-term financial plans, attaining associated goals, understanding and selecting suitable financial products as well as implementing strategies for dealing with financial adversity are critical elements for establishing economic security over the course of their lives.

Financial capability represents a critical shift of moving beyond financial education to adopting new behaviors that individuals can use to identify and utilize appropriate financial tools and make sound financial decisions in order to build and preserve their assets over time.

Financial capability among consumers is an essential element to achieve financial inclusion.

Our Strategy

The Citi Foundation is deeply committed to the financial inclusion of low-income individuals, families and communities. In 2013, we invested more than \$24.8 million in Financial Capability and Asset Building programs globally to enable people to better manage their financial lives and build and preserve assets. We support a range of programs that allow community partners to test, deliver and scale innovative approaches that provide consumers with the tools and support they need to achieve their financial goals, transforming financial knowledge into effective action. These investments, including financial coaching and counseling programs, enable consumers to implement financial plans, make payments, increase their savings, reduce debt and build their credit.

¹ 1 Chaia, A., Dalal, A., Golland, Tony, Gonzalez, M., Morduch, J., et al. (2009). Half the World is Unbanked. Financial Access Initiative



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Examples of Our Leadership



Promoting innovation in financial capability

Through investments in the Center for Financial Services Innovation (CFSI) in the U.S. and Innovations for Poverty Action (IPA) outside the U.S., the Citi Foundation is supporting innovative, nonprofit-led projects designed to enhance the financial capability of low-income consumers. In 2010, with the support of a collaborative of funders led by the Citi Foundation, CFSI launched the Financial Capability Innovation Fund to provide funding to innovative projects. These efforts promote linking relevant and timely financial guidance with the use of well-designed financial products, using technology to increase client engagement, and leveraging social networks and behavioral incentives to motivate clients to achieve their financial goals. A second round of the Fund was launched in 2012. These models are helping consumers take better control of their finances and are leading to measureable outcomes for low-income and underserved consumers, such as improved credit scores and increased savings. Lessons learned from these programs are being shared with the field to replicate and scale effective interventions.

Similarly, the Citi Foundation engaged IPA to design and implement the Citi IPA Financial Capability Research Fund, a groundbreaking research fund to expand the supply and impact of products and interventions to improve the financial capability of low-income consumers globally. As recent loan repayment crises around the world demonstrate, improved access to financial products and services is only part of the formula for financial inclusion. The objective of the fund is to support tests and evaluations of innovative product designs and product-linked financial education interventions that aim to improve the ability of the poor to make informed, welfare-enhancing financial decisions.



Financial Inclusion Measurement Tool

Racial disparities in asset ownership are at their highest levels in 25 years in the U.S., and decreased housing values have led to massive losses of wealth and financial stability, according to the Pew Research Center. Furthermore, 25% of all U.S. households live in asset poverty and lack financial resources to cover even three months of living expenses. This number rises to 35% for minority households. The Citi Foundation is addressing this need by supporting the Growing Assets Program through the Asset Building Policy Network (ABPN). With \$1.8 million in funding from the Citi Foundation, five founding members of the ABPN will pilot innovative programs that build pathways to long-term economic security and upward mobility in communities of color. The programs will expand essential asset building opportunities from improving college success rates among underserved/low-income youth to removing the financial barriers to citizenship, integrating immigrant households into the mainstream financial marketplace and rethinking capital access and technical assistance to Latino small businesses looking to grow and create jobs. In 2013, grants were awarded to the National Association of Latino Community Asset Builders, National Coalition for Asian Pacific American Community Development, National Council of La Raza, National Urban League, and PolicyLink.