

COOPERATIVES AND THE ASSET BUILDING MOVEMENT

Over the course of the last two decades, a national “asset-building” movement has grown rapidly in communities across the United States. The movement is focused on building the financial security of working families through a broad range of practical strategies and public policies that expand opportunities for low- and moderate-income individuals to save, invest and preserve financial assets.

With over \$3 trillion in assets under their control, the nation's 29,000 cooperatives play a significant role in building financial assets among members and owners in urban and rural communities. But, until recently, cooperatives—and other shared ownership strategies—have been off of the radar screen of the national asset-building movement, which has been largely focused on *individual* ownership.

Today, the landscape is shifting as several national organizations have begun to document and demonstrate how shared ownership strategies help to build financial assets for working families.

For example, the Democracy Collaborative has been highlighting the wealth-building potential of cooperatives, employee stock ownership plans (ESOPs) and other shared ownership strategies through its website,



“COOPERATIVE LEADERS CAN AND SHOULD BE REACHING OUT TO AND EDUCATING ASSET-BUILDING SUPPORTERS —FOUNDATIONS, INTERMEDIARIES, ADVOCATES, LEGISLATORS, FINANCIAL INSTITUTIONS AND THEIR REGULATORS—ABOUT THE WEALTH-BUILDING VALUE OF COOPERATIVES FOR UNDERSERVED COMMUNITIES IN BOTH RURAL AND URBAN AREAS.”

community-wealth.org. They have also put their research into action through the launch of the Evergreen Cooperatives, a partnership with the Cleveland Foundation.

The Annie E. Casey Foundation has worked to build bridges between the asset-building and shared ownership movements for the past two years with a framing paper and national meeting, followed by support for national working groups, public education and workshops to identify common goals and priorities.

More recently, two prominent national asset-building intermediaries—CFED and the New America Foundation—each took steps via webinars, blog postings and awards to shine a light on the value of shared ownership strategies as an alternative approach to building financial assets for lower-income households.

It is time to build upon this momentum to

expand the base of support for cooperatives as an asset-building strategy. Cooperative leaders can and should be reaching out to and educating asset-building supporters—foundations, intermediaries, advocates, legislators, financial institutions and their regulators—about the wealth-building value of cooperatives for underserved communities in both rural and urban areas.

Income Is Not Enough

Often, conversations about poverty focus on income, which can be increased in ways that bring short-term benefits without changing families' long-term economic security. Fortunately, there has been a growing national dialogue about the importance of financial assets—cash savings, stocks, bonds; home, business and real estate equity—in building the financial security of low- and moderate-income working families.

While income is critical to enabling families to get by day-to-day, assets enable them to weather financial crises, invest in their children and their communities, plan for a secure retirement and pass resources on to future generations.

Even before the recent recession, U.S. families were experiencing unprecedented levels of financial insecurity. Nearly one in four households was “asset poor” meaning they had insufficient assets to survive—even at the poverty level—for more than three months if they experienced a job loss or other income disruption. The economic crisis has only made matters worse as it has pushed millions of middle-class families into income and asset poverty.

Cooperatives and Asset Building

Typically, asset-building strategies create opportunities—through programs, services or public policy—for low-income individuals or families to build financial assets through access to financial education and services; matched savings opportunities; opportunities to invest in a home or business; or asset protection services like health insurances, alternatives to payday lending or foreclosure prevention.

While cooperatives are not typically included on the menu of asset-building strategies promoted by national advocates, funders and intermediaries, they should be. Cooperatives help to build the financial security of community residents by increasing the profitability of local, family-owned businesses; lowering the costs of goods and services to residents; or enabling local residents to gain an equity stake in the businesses where they work. In addition, some cooperatives—especially credit unions—provide other asset-building services

National Asset-Building Resources

Asset Funders Network
www.assetfunders.org

Center for Social Development at Washington University in St. Louis
<http://csd.wustl.edu>

CFED
(www.cfed.org)

Cities for Financial Empowerment
<http://www.cfecoalition.org>

Democracy Collaborative/Community Wealth Building Program
www.community-wealth.org

Institute on Assets and Social Policy at Brandeis University
www.iasp.brandeis.edu

New America Foundation/Asset Building Program
www.assetbuilding.org


Yellow Wood Associates/Ford Foundation-Wealth Creation in Rural Communities
<http://www.yellowwood.org/wealthcreation.aspx>

such as connecting members to financial education or homeownership counseling, or helping them to access low-cost credit and other affordable, low-risk financial services.

Nonetheless, cooperatives rarely see themselves as part of the national asset-building movement; and most movement leaders are not aware of the asset-building value of cooperatives.

So Where Do We Go from Here?

One way for cooperatives to start making the connection to the asset-building movement is by participating in state and local asset-policy coalitions. These coalitions are now operating in over 40 states, advancing a broad range of policies and practices that support working families' efforts to build financial assets. They offer opportunities for cooperative leaders to engage with, learn from and educate new partners in a way that leverages financial and other resources. In addition, community leaders can reach out to national asset-building intermediaries for information on strategy development and implementation, tools and technical assistance.

Cooperative development may not be a new idea, but it is a powerful wealth-building strategy that deserves the attention of the asset-building field. Now is an opportune time for cooperative leaders to join the asset-building dialogue and make their voices heard. 

Heather McCulloch is the founder of Asset Building Strategies, a consulting firm that advances policies and strategies to support low-wealth families to build financial assets, as well as a consultant with the Annie E. Casey Foundation. For more information, visit www.assetbuildingstrategies.com for more information. This article was adapted from a piece published in *Rural Cooperatives* magazine.

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