

## **Wealth Building in Rural America: Programs, Policies, Research: A Summary**

Tom Waldron, Hatcher Group

*Wealth Building in Rural America: Programs, Policies, Research: A Policy Guide* is the third in a series of three reports by the Center for Social Development at Washington University in St. Louis that focus on wealth building in rural America. The report, summarized here, explores research on existing wealth building policies and programs in rural America and identifies approaches that are working well and that might serve as models. The report also makes recommendations for possible next steps in research, policy and philanthropic engagement.

### **The Challenge**

Many rural Americans face significant obstacles to building wealth. The root causes are both familiar and daunting. First, many rural areas are burdened with struggling local economies that generate jobs that pay poorly or that lack medical and retirement benefits. In many cases, families do not have enough income to invest for the future. And the wealth held by rural families tends to be concentrated in illiquid assets such as personal residences, farms and ranches, or other forms of real estate – not liquid assets that can be quickly converted to cash to pay for illness and other unforeseen adversities. Compounding the problem, rural local governments are hard pressed to pay for investments that could improve opportunities and economic conditions for rural residents, whether in higher education, training or public transportation.

These realities make clear that more should be done to encourage asset building by rural people and communities.

### **Different Approaches to Economic Development and Wealth Building**

A number of rural areas have taken creative and innovative steps to develop their economies or help residents build wealth, focusing on local revenue generation, business development, training, infrastructure improvements, home ownership, and household wealth.

The projects range from environmentally friendly wind power harvesting to micro-enterprise development in Native American communities. Towns in Nebraska, Texas, Minnesota and Kansas use the Homestead Act of 1862 as a model and give land under certain conditions to families who are willing to build homes. In several areas, matched savings programs in the form of Individual Development Accounts (IDAs) encourage saving and long-term investment by low-income households.

A number of states are working together to develop advocacy networks and promote innovation in wealth building. A goal of many of these networks is to develop effective strategies to improve the implementation and sustainability of IDAs in rural areas. But some also are expanding into such areas as micro-enterprise and housing. A promising example is MOKANSave, which was launched in 2002 as a collaborative project of several organizations. Its goal is to develop asset-building policies and programs in Missouri and Kansas that assist poor households and communities to build tangible assets and to promote long-term investment in programs to solidify families' financial standing. The organization works to increase awareness of wealth-building issues affecting those areas; it also has created a network of IDA providers, partners, and stakeholders across both states.

## **State Policies to Encourage Wealth Building Vary Widely**

States are well situated to develop policies that can effectively encourage asset building. But efforts to do that vary greatly among the states.

CFED's *Assets and Opportunity Scorecard*, a state-level snapshot of how states are performing on five measures related to asset building, shows that rural states have lagged in promoting wealth-building policies. Two-thirds of largely rural states are assessed as substandard, compared to about one-third of predominantly urban states. The rural states of Iowa, Maine, North Carolina, and Vermont score especially well.

One step states could take would be to enhance incentives for 529 college savings plans, which provide rural populations with a means to build savings and improve their families' educational achievement.

Also, state IDA policies could be adjusted to encourage wealth building. Research suggests that these policies should be flexible enough to allow for innovative and expanded uses of IDAs, such as automobile purchase and home repair. They should maximize participation among underserved groups by reducing savings restrictions.

## **Federal Policies related to Wealth Building**

The federal government's efforts to encourage rural wealth building date back many years, most prominently to the Homestead Act of 1862, which gave millions of Americans free land. Today, federal support for rural areas continues, but those areas remain at a funding disadvantage, receiving significantly less than urban areas.

However, efforts are underway to increase the federal response to issues related to wealth building through innovative strategies. In particular, concepts within the New Homestead Act, now pending in Congress, could form the basis for a comprehensive federal wealth-building policy for rural America. The Act proposes to attract new residents and businesses to rural areas suffering from high rates of out-migration by offering several incentives, including the forgiveness of college loans, home purchase tax credits, business development tax incentives, and individual homestead accounts to encourage personal savings.

## **More Research Needed**

In the long term, more research, testing and documentation of wealth-building strategies is needed to inform programs and policies. With reliable data in hand, public and political discussions can proceed, with the potential to enact meaningful policies and programs. The applied social research should:

- Track key wealth trends, investigate innovative strategies and address the roles of different levels of government, the private sector, non-profits and others.
- Examine impacts on different groups, especially the poor, people of color, the disabled and older adults.
- Look at global impacts on rural wealth building, as well as at immigration, residency, and livelihoods in rural America.

## **Philanthropy: Achievements and Potential**

Several leading foundations have supported trials of IDAs and other asset-building strategies and have fostered a wide-ranging discussion of the issue. American philanthropic groups can use these reports and other studies as a foundation for launching a bold agenda for transforming rural America by encouraging wealth building.