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## The Financial Side of Self-Employment

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## ***“An optimist sees the opportunity in every difficulty.”***

“Hi, my name is Claire and I am a freelance writer and home health care aide. I have a disability but I am an optimist. The disability does not have me. I am so much more than the label ‘disabled.’

“I am an aunt, a sister, a daughter, a writer, a reader, a photographer, a book club member, and a poetry-lover, among other things.”

*Blogger, Real Economic Impact Tour, [www.REITour.org](http://www.REITour.org)*

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My American Dream seems simple:

- To live on my own and be self-sufficient;
- To live with dignity and independence;
- To become a part of the mainstream economy.

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## Three-Part Presentation

- Context
- Tools and Strategies
- Next Steps

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## Part One: Context

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## Statistical Perspective

- Students with disabilities are twice as likely to drop out of high school than students without disabilities.
- Working age adults are three time more likely to be living at or below poverty levels as compared to individuals without disabilities.

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## Statistical Perspective (cont)

- As of March 2008, 1.1 million children nationwide receive SSI benefits.
- Two-thirds of these children will remain on benefits for life.
- The cost will be in excess of 200 billion dollars.

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## Statistical Perspective (cont)

- There are over 10 million recipients of Supplemental Security Income (SSI) and/or Social Security Disability Insurance (SSDI).
- In 2009, SSA will expend over 125 billion dollars in payments to SSI and/or SSDI beneficiaries.
- Only half of one percent (.5%) of SSI and/or SSDI beneficiaries return to work.

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“Historically, public assistance in exchange for enforced poverty and the absence of freedom is a bad deal - one that fails all parties to the arrangement; people with disabilities, their families, and the American people.”

President's Committee for Intellectual Disabilities: 2004  
Report to the President

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## Enduring poverty and lack of economic empowerment will:

- Diminish choices and quality of life within communities and
- Singularly diminish freedom, opportunity, and self-determination.

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### What is Economic Empowerment?

- The ability to develop and control income and assets
- The capacity to preserve and grow resources that expand life choices (live, work, play)
- Assets include savings, investments, home and/or business ownership, a means of transportation, and products

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### Why is income preservation & asset development important?

- It will positively impact self-concept and level of community participation.
- It will change expectations and status with other community stakeholders.

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- There is no single strategy or solution that will overcome multiple barriers to advance greater self-sufficiency for persons with significant disabilities.

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## Part Two: Emerging Tools and Strategies

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### Emerging Tools & Strategies

- Financial Literacy & Financial Services
- Favorable Tax Provisions (EITC) & Free Tax Preparation
- Individual Development Accounts
- Home Ownership
- Work Incentives and Ticket to Work
- Microenterprise and Small Business Development
- Family Self-Sufficiency Program

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- These tools (IDAs, Tax Credits, Microenterprise Development, Home Ownership) were focused on low income working families, not people with disabilities.

People with disabilities are a new market segment!

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### Earned Income Tax Credit (EITC)

- Created by Congress in 1975 to provide an incentive to work for low-income families.
- Refundable Tax Credit
- 20% of individuals who are eligible do not claim the credit.
- An estimated 1 million individuals with disabilities annually do not claim the credit.
- Split Refund: New Option
- VITA - Free Tax Preparation

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### Basic Facts About the EITC

- You must have earned income.
- You must be at least 25 & under 65.
- You must have earned no more than \$12,880 in the 2008 calendar year if you are single.
- You must have earned no more than \$15,880 if married without children.

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### Basic Facts About the EITC

- If single or married and a household with one qualifying child the income limit is \$33,995 (\$36,995 married filing jointly) or a household with two or more children, the income limit is \$38,646 (\$41,646 married filing jointly).

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### Basic Facts About the EITC

- To be eligible for EITC you must earn no more than \$2,950 in investment income
- For an individual not married and without children, at least 25 years old, the credit will produce a tax refund between \$230-\$438.

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### Earned Income Tax Credit

- The EITC is a refundable credit. What that means is that based on your income, even when you have no tax liability, you will receive a tax refund.
- An individual with no tax liability must file a tax return. Without filing, you **cannot** receive an EITC tax refund.

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### EITC Impact on Other Benefits

- EITC does not count as earned income and as a result does not impact eligibility for SSI benefits.
- EITC does not count as earned income to determine eligibility for Medicaid.

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## Real Economic Impact Tour

- Since 2005, the REI Tour has provided free tax filing assistance to **over 300,000** low income workers with disabilities who have received over **\$250** million in tax refunds.
- Public-private coalitions were formed in 84 cities with involvement of over 550 community organizations. Federal agencies involved include: Labor, Education, CMS, SSA, IRS, FDIC, and Treasury.

[www.reitour.org](http://www.reitour.org)

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## Financial Education & Access

- Utilize FDIC's Money Smart financial education program to advance more effective money management and use of credit.
- Developed and now piloting six part training to advance thinking and behavioral change about a better economic future (Florida, North Carolina, and Ohio).

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## Six Training Modules

1. Introduction to Asset Development
2. Financial Literacy & Access to Financial Services
3. Earned Income Tax Credit: Free Tax Preparation Assistance
4. Individual Development Accounts
5. Microenterprise Development and Home Ownership
6. Soc Sec Work Incentives & Braiding Public Resources

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## Money Smart Modules

1. **Bank On It** – covers types of insured financial institution, types of accounts, & the differences between check-cashing businesses & banking institutions.
2. **Borrowing Basics** – covers loans and credit.
3. **Check It Out** – covers the ins and outs of a checking account and its features.
4. **Money Matters** – covers benefits & how-to's of saving.
5. **Pay Yourself First** – covers ways to save money.

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## Money Smart Modules

6. **Keep It Safe** – covers laws that protect banking consumers and shows how to protect your money.
7. **To Your Credit** - covers the ins and outs of credit reports and repair.
8. **Charge It Right** – covers the basics of credit card use.
9. **Loan To Own** – covers the types of installment loans and how to pick the best loan for your needs.
10. **Your Own Home** – covers the merits of owning a home over renting and steps to take to prepare for homeownership.

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## 17 Links to Financial Empowerment

[http://www.ndi-inc.org/docs/17\\_Links\\_for\\_Financial\\_Empowerment.pdf](http://www.ndi-inc.org/docs/17_Links_for_Financial_Empowerment.pdf)

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### IDA: A Benefit for Low-Income Workers

- Individual Development Accounts (IDAs) are matched savings accounts designed to help low income workers plan for and reach specific asset building goals.
- Nationwide, there are over 30,000 individuals who are saving money each month as part of an IDA with over 1,000 IDA providers.

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### Individual Development Accounts

- Federally supported IDA programs offer low-income workers three choices for asset goals:
  - Buy a Home
  - Start a Business
  - Continue higher education

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### Individual Development Account

- The IDA established for an individual has two other core program elements in addition to setting an asset goal and a plan for saving to meet the goal:
  1. There is a match the IDA program provider will offer for each dollar saved in the account.
  2. Each participant will also be required to participate in financial education classes.

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### Individual Development Account

- In IDA programs nationwide, the match may range from one to four dollars.
- The maximum federal contribution to an IDA account is \$2,000 and must be deposited with an equal amount of nonfederal dollars for a minimum of \$4,000.

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### Individual Development Account

- All IDA savings plans must be accomplished within five years.
- Many IDA participants leverage other public and private funding sources to meet their ultimate asset goal.

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### Impact on Other Public Benefits

- Federally funded IDAs are exempt from counting as an asset for the purposes of remaining eligible for SSI and Medicaid.
- An IDA with savings plans could actually help preserve eligibility for Social Security benefits.

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### Are You Ready for an IDA?

- Are you ready to select one of three asset goals?
- Are you working and want to commit to a savings plan and schedule?
- Are you willing to attend financial education classes?
- Are you a good credit risk that will encourage the IDA provider to enroll you in the program?

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### Family Self-Sufficiency Program

- Public Housing Agencies
- Escrow Account with bank/credit union
- Intensive oversight of employment goals
- Withdrawals on a case-by-case basis for home ownership, transportation, education, other
- Housing Choice Vouchers limits rent to 30% of income

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### Social Security Work Incentives

- Options to increase income, save, and advance self-sufficiency
- Over a dozen different work incentives
  - **IRWE**: reduce income due to out of pocket disability-relate expenses
  - **1619(A) and (B)**: increase earning beyond SGA to remain eligible for Medicaid
  - **PASS**: Plan to Achieve Self-Support excludes income and resources from countable assets that are set aside to reach a specific occupational goal.
  - **PESS**: Property Essential to Self-Support

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### Work Incentive Planning & Assistance Program (WIPA)

- Provide individual benefit planning
- [www.socialsecurity.gov/work](http://www.socialsecurity.gov/work)

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### What is Missing?

A bridge to connect existing programs to other organized efforts to advance self-sufficiency.

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### “The Bridge”

- Person-centered planning
- Individualized plans

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### Individualized Plans (9 Federal Authorities)

| <u>Agency</u> | <u>Approach</u>                   |
|---------------|-----------------------------------|
| A. CMS        | • Individual Budgets              |
| B. SSA        | • Ticket to Work                  |
| C. Labor      | • Individual Training Accounts    |
| D. SSA        | • Plan to Achieve Self-Support    |
| E. HHS        | • Individual Development Accounts |
| F. Education  | • Individual Transition Plan      |
| G. VR         | • Individual Plan for Employment  |
| H. MH         | • Recovery Plan                   |
| I. HUD        | • Family Self-Sufficiency Plan    |

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### Braiding of Resources

- IDAs, PASS, Family Self-Sufficiency and Housing Choice Voucher, EITC, and start your own microenterprise.
- The possible pathways to advance economic independence are greatly expanded.

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### Braiding of Resources

- Knowledge is power!
- What happens when you use all of these tools and strategies to advance your economic independence?

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### Part Three: Next Steps

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### New Approaches – New Partnerships

- Real Economic Impact Tour ([www.REITour.org](http://www.REITour.org))
- Asset Development Summits
- Work Incentives - Asset Development Curricula

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### Emerging New Partnerships

- Mayor's Offices
- United Way
- IRS
- FDIC
- IDA Providers
- EITC Coalitions
- Financial Institutions
- Microenterprise Lenders
- Home Ownership & Credit Counseling Programs
- Workforce Development System
- SBDCs

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### Emerging New Partnerships

- DD Council
- VR Agency
- Social Security Field Office
- WIPA Grantees
- ARC
- Centers for Independent Living
- Goodwill
- Community Action Agencies

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### Public Policy Developments

#### **Achieving a Better Life Experience (ABLE) Act (H.R. 1205/S. 493)**

- Establish tax-deferred accounts up to \$500,000
- Coverage of extra costs related to education, employment, technology, housing and healthcare

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### Washington Insider

August:

[http://www.ndi-inc.org/docs/Washington\\_Insider\\_1.7.pdf](http://www.ndi-inc.org/docs/Washington_Insider_1.7.pdf)

July:

[http://www.ndi-inc.org/docs/Washington\\_Insider\\_1.6.pdf](http://www.ndi-inc.org/docs/Washington_Insider_1.6.pdf)

June:

[http://www.ndi-inc.org/docs/Washington\\_Insider\\_1.5.pdf](http://www.ndi-inc.org/docs/Washington_Insider_1.5.pdf)

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### Additional Resources

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### Favorable Tax Provisions

- Real Economic Impact Tour – [www.reitour.org](http://www.reitour.org)
- The Internal Revenue Service – [www.irs.gov](http://www.irs.gov)
  - Earned Income Tax Credit
    - [www.irs.gov/eitc](http://www.irs.gov/eitc)
    - [www.irs-eitc.info/SPEC](http://www.irs-eitc.info/SPEC)
  - IRS Pub 907, Tax highlights for Persons with Disabilities - <http://www.irs.gov/publications/p907/index.html>

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### Financial Education

- FDIC's Money Smart - [www.fdic.gov/consumers/consumer/moneysmart/](http://www.fdic.gov/consumers/consumer/moneysmart/)
- FDIC Community Affairs Program - [www.fdic.gov/consumers/community/](http://www.fdic.gov/consumers/community/)
- U.S. Financial Literacy and Education Commission – [www.mymoney.gov/](http://www.mymoney.gov/)

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## Individual Development Accounts

- Corporation for Economic Development – [www.cfed.org](http://www.cfed.org)
  - CFED's IDA Network – [www.idanetwork.org](http://www.idanetwork.org)
  - Assets and Opportunity Scorecard - [www.cfed.org/focus.m?parentid=31&siteid=2471&id=2476](http://www.cfed.org/focus.m?parentid=31&siteid=2471&id=2476)
- Assets for Independence (AFI) Program - [www.acf.hhs.gov/assetbuilding/](http://www.acf.hhs.gov/assetbuilding/)

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## Work Incentives

- Social Security – <http://www.socialsecurity.gov/disabilityresearch/wi/generalinfo.htm>
  - Plan to Achieve Self-Support - [www.socialsecurity.gov/disabilityresearch/wi/pass.htm](http://www.socialsecurity.gov/disabilityresearch/wi/pass.htm)
  - The Red Book - [www.socialsecurity.gov/redbook/eng/main.htm](http://www.socialsecurity.gov/redbook/eng/main.htm)
  - Work Incentives Planning and Assistance Projects - <http://www.socialsecurity.gov/work/ServiceProviders/WIPADirectory.html>

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## Home Ownership

- HUD – [www.hud.gov](http://www.hud.gov)
  - Housing Choice Vouchers - [www.hud.gov/offices/pih/programs/hcv/](http://www.hud.gov/offices/pih/programs/hcv/)
  - Family Self-Sufficiency Program - [www.hud.gov/offices/pih/programs/hcv/fss.cfm](http://www.hud.gov/offices/pih/programs/hcv/fss.cfm)

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## Microenterprise Development

- Association for Enterprise Opportunity - [www.microenterpriseworks.org](http://www.microenterpriseworks.org)
- Start-Up USA - [www.start-up-usa.biz](http://www.start-up-usa.biz)

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## Asset Building

- The World Institute on Disability – [www.wid.org](http://www.wid.org)
  - Equity e-Newsletter -- [www.wid.org/publications/?page=equity](http://www.wid.org/publications/?page=equity)
- New America Foundation - [www.newamerica.net/](http://www.newamerica.net/)
- Asset Building - <http://assetbuilding.org/>
- National Disability Institute - <http://www.ndi-inc.org/>

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