Supporting the Financial Lives of America’s Young People
Numerous Financial Health Network staff members contributed to this report, including John Thompson, Sarah Parker, Naomi Bata, and Dan Miller. The Financial Health Network would also like to thank John Mark Feilmeyer, Carrie Clogg, Aaron Jaco, Shekinah Young, and Mandi McReynolds from Principal® Foundation for their support of The Principal Foundation YouthCan Initiative Innovation Challenge.

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INTRODUCTION

In the United States, 54% of young people between the ages of 18-30 report that they have hit, or currently are at, their financial rock bottom. Two areas where young people face specific economic challenges are financial shocks and debt.\(^1\) There is ample opportunity to support this unique segment with products and services that build their financial health.

\(^1\) “Youth Finances in the US: Stories of adversity and hope,” The Principal Foundation, January 2020.

In 2018, Principal® Foundation partnered with the Financial Health Network to create the Principal Foundation YouthCan Initiative Innovation Challenge in order to support organizations working to tackle the financial challenges facing young people today.

To find organizations that would have the most impact on improving the financial lives of young people, the initiative developed a thorough process for identifying and vetting potential program participants. The Financial Health Network released a request for proposals targeting innovative nonprofits and social enterprises, and 10 organizations applied to participate in the Innovation Challenge. The Financial Health Network then reviewed the proposals, conducted follow-up interviews, and scored each organization’s potential to impact young people positively. Following the proposal review process, AM Money, Edquity, MoneyThink, and MyPath were selected to participate in an Innovation Challenge hosted by The Principal Foundation in October 2018.

During the Innovation Challenge, each organization pitched its proposal to a panel of financial health industry leaders and an audience of Principal employees, local nonprofits, and young community members. The panel of financial health industry leaders then scored the pitches to select two finalists to support.

Edquity and MyPath were selected as the two finalists, with AM Money and MoneyThink as runners-up. Principal Foundation awarded the finalists $150,000 each to help U.S. young people learn, earn, and save more. Finalists also received advisory services from Financial Health Network staff, opportunities to engage with Principal executives and staff, and an invitation to attend and participate in networking and peer-learning events. The two runner-up organizations received $25,000 each to support their own efforts to benefit young people.

Over the course of the program, the Principal Foundation YouthCan Initiative Innovation Challenge met three times to discuss the progress of each organization, challenges faced, and lessons learned. In addition to these in-person meetings, the Financial Health Network had monthly check-ins with Edquity and MyPath to discuss progress and to identify areas where each organization could benefit from additional support.

This report captures the projects that Edquity and MyPath undertook as part of the Innovation Challenge, including what each organization achieved, the challenges they faced, and how they plan to build on the experience moving forward. Additionally, we have captured high-level lessons learned by both organizations that will support others working to help young people achieve financial independence and pursue economic opportunity.
Innovator Spotlights

Edquity

Under the Principal® Foundation YouthCan Initiative Innovation Challenge, Edquity supported over 1,000 low- to moderate-income students. The company’s ongoing goal is to reach the 3 million students at risk of dropping out of college every year because of a financial crisis of less than $500.²

Edquity works with colleges to direct students to resources for affordable food and housing and distributes financial aid during emergencies. Edquity’s platform also has a personal money management tool that helps students track their finances and determine when they may need access to emergency resources.

The Innovation Challenge supported Edquity in establishing partnerships with LaGuardia Community College and Dallas County Community College District. In addition to supporting the development of these partnerships, Innovation Challenge funding helped Edquity make structural changes to the platform to help improve engagement and meet the needs of its college partners. Changes made to the platform included updating the user interface and integrating with the Dallas Community College app to facilitate the disbursement of emergency aid.

A majority of Edquity’s users are from Dallas Community College. In October, 10 tornadoes hit Dallas County, and Edquity was responsible for the distribution of over $90,000 in emergency aid to students in need.

While Edquity was able to use Innovation Challenge support to launch programs with two community colleges, the organization did have to overcome some challenges. The process for engaging with higher education institutions proved to be complicated and took longer than Edquity had anticipated. Additionally, when testing the app with students, Edquity realized that the emergency resources needed to be more easily accessible to students. Edquity was able to overcome these challenges to launch the app and, in December 2019, raised $2.4 million in seed funding to support the expansion of the app to new institutions.

MyPath’s goal is to support young people and improve their financial capabilities. For the more than 20 million young people ages 16-24 in the workforce, income is often not enough to overcome poverty. In response, MyPath developed the MyPath Money Platform to help users set savings goals, track expenses, and build budgets to generate savings. MyPath built on its savings work to offer the Savings to Credit Pathway, a credit curriculum that connects young people to a financial mentor who can increase their understanding of credit and debt.

With support from the Principal® Foundation YouthCan Initiative Innovation Challenge, MyPath partnered with the youth employment organization JUMA to implement the MyPath Savings to Credit Pathway at two new locations: San Jose, California, and Seattle, Washington. By partnering with JUMA, MyPath can reach young people at the moment they receive their first paycheck. That first paycheck moment is an opportunity to begin working with young people to build healthy savings habits. The funding also allowed MyPath to roll out their Savings to Credit Pathway curriculum and start planning the expansion of their programming to two additional JUMA sites.

When direct deposit is offered and even incentivized and encouraged, it motivates young people to open accounts that help them avoid unnecessary fees and save more. It can also help them eventually build credit, as direct deposit can facilitate consistent payments on small-dollar credit-builder loans. MyPath was able to provide technical assistance and support to JUMA that resulted in 100% of young people enrolling in direct deposit. This promising approach to providing a strong foundation at scale could help give young people the financial footing they need to begin banking and saving their first emergency funds.

MyPath was able to overcome some challenges to building the financial capacity of the young people they were supporting. Low- to moderate-income young people found it challenging to balance their savings goals with their immediate financial obligations, such as supporting their family. MyPath worked with JUMA to help program participants find a balance and, when possible, connected them with financial mentors. To support the program participants, MyPath needed to secure strong local mentors to work with the young people. Since MyPath employs a train-the-trainer model, they do not have direct contact with program participants; influential local mentors ensure that the young people are getting the support they need.

MyPath Indicators

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Users</td>
<td>203</td>
</tr>
<tr>
<td>% of Young People Who Set Up Direct Deposit</td>
<td>100%</td>
</tr>
<tr>
<td>% of Young People Who Reported Feeling More Financially Confident</td>
<td>91%</td>
</tr>
<tr>
<td>% of Young People Who Reported Feeling More Confident About Banking with a Financial Institution</td>
<td>66%</td>
</tr>
</tbody>
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For more than 20 million young people ages 16-24, income is often not enough to overcome poverty.
The Principal® Foundation YouthCan Initiative Innovation Challenge gained insights from the innovator teams that could prove useful to policymakers, nonprofits, and other institutions also working to improve the lives of young people.

**REACHING YOUNG PEOPLE**

All four organizations developed innovative strategies to reach young people, whether it was partnering with a youth employment organization or working with community colleges. Reaching young people can be a challenge because their schedules are varied and, with the exception of school, there are few places where a large number of young people congregate. By partnering with organizations already engaged with young people, nonprofits and social enterprises can focus on developing financial and educational tools needed to support and improve the financial capabilities of young people.

**PARTNERSHIP DEVELOPMENT**

While partnering with organizations can help to reach young people, building and developing these partnerships takes time. When working with a partner, organizations are often reliant on internal champions to help navigate bureaucracies. Edquity experienced a change in management at one of the community colleges they were partnering with and learned firsthand that it’s essential to have more than one champion. Having multiple contacts minimizes disruption if a key contact leaves or changes departments, allowing project progress to continue.

**NO SINGLE FINANCIAL CHALLENGE**

Young people face a variety of financial challenges. Principal Foundation’s 2020 research into the financial lives of young people found multiple causes of financial challenges. These challenges ranged from having an overwhelming amount of debt to financial shocks, such as job loss. When Edquity launched its partnership with Dallas Community College, it found that almost 80% of students applying for emergency aid were experiencing more than one financial challenge. MyPath had to work with financial mentors to help young people balance their immediate financial responsibilities with their savings goals.

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3 “Youth Finances in the US: Stories of adversity and hope,” The Principal Foundation, January 2020

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**CONCLUSION**

The Principal® Foundation YouthCan Initiative Innovation Challenge was an opportunity to enable multiple organizations to test and learn from solutions about how to improve the financial lives of young people. It is important to remember that the financial lives of young people are complicated, and while nonprofits and social enterprises can support young people in specific areas, there is no single intervention that will lead to financial health. The Innovation Challenge's work with Edquity and MyPath highlights the opportunities for nonprofits, policymakers, and foundations to continue to learn about and implement impactful interventions that help young people.