

Navigating Benefits Cliffs— Barriers and Solutions

October 12, 2023
3:00 to 4:00 PM ET



Views expressed during this session
are those of the speakers and
are intended for informational purposes.

They do not necessarily represent the views of
Fed Communities or the Federal Reserve System.



Introduction and overview of Cliffs and Atlanta Fed's related work



Alexander Ruder, PhD

Director and Principal Advisor

Federal Reserve Bank of Atlanta

The logo for "Connecting Communities" features a stylized flower with five petals in shades of yellow, orange, and green. Each petal contains a small circular inset image: a hand holding a small green plant, a woman smiling, and a group of people clapping. The text "Connecting Communities" is written in a bold, dark blue font across the center of the flower.

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Key Considerations



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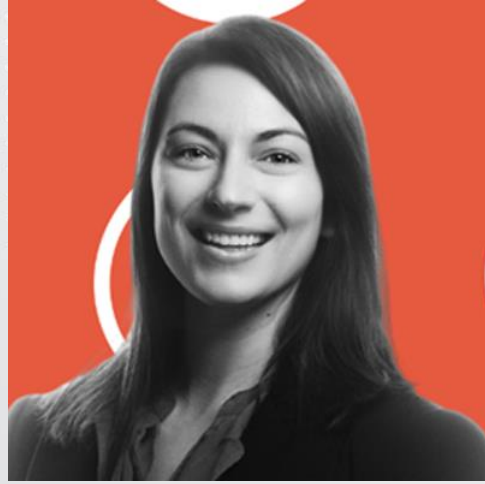


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Potential Solutions



Brittany Birken, PhD
Director & Principal
Advisor
Federal Reserve Bank of
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Marielle Lovecchio
Director
Tennessee Alliance for Economic
Mobility



Geoff King
Program Manager
Career Mobility Action Plan
District of Columbia
Department
of Human Services



Michele Watson
Chief Executive Officer
Florida Alliance of Children's
Council & Trusts



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Career Advancement and Benefits Cliffs

Career advancement is one part of a larger strategy to achieve financial goals.

- Setting goals
- Saving
- Tracking income and benefits
- Paying bills
- Cash flow and budgeting
- Debt
- Credit
- Financial products
- Protecting money

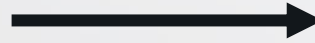
Source: Consumer Financial Protection Bureau, A
Financial Empowerment Toolkit, 2020



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Research Origins of Work

Papers exploring intersection of career advancement and family net financial resources.



Benefits Cliffs and the Financial Incentives for Career Advancement: A Case Study of a Health Care Career Pathway



David Altig

Federal Reserve Bank
of Atlanta

Elias Ilin

Federal Reserve Bank
of Atlanta and
Boston University

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Primary issue:

The authors investigate the financial disincentives to career advancement caused by benefits cliffs, which occur when earnings gains are offset by the loss of means-tested public benefits.

Key findings:

The authors develop a workforce development–focused methodology to study benefits cliffs and illustrate the financial incentives of a hypothetical young single mother of two children to advance from a low-wage occupation to higher-wage occupations. The lifetime financial return to career advancement for the mother is large. However, due to the loss of means-tested public benefits, the mother can be financially worse off in the short and medium term when she advances. The authors also show that individual career advancement can produce significant long-term financial gains for the public. Finally, the authors illustrate two policy interventions: a childcare subsidy phaseout that is gradual rather than sudden, and an application of transitional public benefits with asset mapping of financial resources.

Takeaways for practice:

To make informed training choices and plan for potential losses in public benefits, low-income individuals need dynamic tools that capture both short-run roadblocks and long-run gains to career advancement. Career counselors, caseworkers, and financial advisers need these tools to help advise clients on training choices and to plan for the phaseout of benefits. Policymakers can use these tools to align supportive services across and within funding streams, filling in resource gaps for clients and reducing short-term disincentives to train or seek a promotion. While up-front costs on programs that support career advancement may be expensive, the return to investment for the public can be significant.



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CLIFF: A Suite of Coaching and Financial Planning Tools



"Our goal is that every single person in the United States of limited means has access to exactly the same financial planning resource as every person of ample means."

– David Altig
Executive Vice President and Director of
Research, U.S. Federal Reserve Bank, Atlanta



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Activities: Identifying Barriers and Solutions

1. Researching solutions
2. Providing tools and resources for career and financial coaches
3. Piloting employer solutions
4. Supporting innovative pilots



"[She] got a job at a doctor's office earning \$12 an hour, 20% more than her previous job out of school....The extra \$80 a week before taxes was not enough to cover her mortgage and utilities and make up for the lost benefits."

"I hate to say it, but it made me feel like it was better not to work,' ... [She] remained employed, but times got tough. She lost her house and had to move in with her mother."

Source: "Atlanta Fed develops tools to help workers avoid 'benefits cliff.'" Edmonson, C. *Atlanta Business Chronicle*, June 16, 2023.



Closing remarks and requests

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