

# Working Papers

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**Center for Social Development**



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George Warren Brown School of Social Work

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*“ In a global economy, your economic health and security is measured by what you own in addition to what you earn” (Senator Bob Kerrey as cited in Stegman, 1999, p.10).*

As the American economy becomes more global, the source of its economic health and security changes. In the frontier era, rural areas in the United States were the source of health and security, promising economic growth, new opportunities, and an abundance of jobs. As the economy changed and cities grew, other sources of economic stability emerged, leaving rural communities behind. Today, rural areas suffer from a decrease in job creation, outmigration of young and skilled workers, and a decrease in the demand for many rural products (Henderson, 2002; Pezzini, 2000). As a result, rural areas are in need of sustainable development to help improve their local industries and compete in the new global market. Current discussions emphasize the lack of economic assets in rural communities as not only a symptom but also as a cause of poverty and suggest that it might be valuable to include asset-building as an approach to reducing poverty in rural areas (Dorward, Anderson, Clark, Keane & Moguel, 2001).

In the last few years, the value and potential of assets in the form of wealth accumulation and their positive effects on individuals, families, communities and the society as a whole are gaining ground in both academic and policy settings (Scanlon & Page-Adams, 2001). Traditionally, the major indicator of well-being used by economists, sociologists and other social scientific researchers was income. Accumulated wealth was a neglected aspect, and scientists were much more engaged in describing and analyzing occupational, educational and income distributions (Shapiro, 2001). However, recently researchers have recognized the importance of measuring family wealth independently from income.

While income and assets, or wealth, are strongly related, they are different concepts with different meanings (Sherraden, 1991). Income refers to the flow of resources in the household over time (i.e., salaries, wages, government transfer). Families use income to provide the household with daily necessities such as shelter, food, and clothing. The concept of income is usually associated with the consumption of goods and services and the standard of living (Shapiro, 2001; Sherraden, 1991). Contrary to this, wealth is a stock variable. Wealth refers to the total amount of an individual's accumulated assets at a given time. Wealth is measured as the net value of assets minus debt held at a given time (Oliver & Shapiro, 1995). “Wealth is what families own, a storehouse of resources... not usually used to purchase milk and shoes or other life necessities. More often it is used to create opportunities, secure a desired stature and standard of living, or pass advantages and class status along to one's children” (Shapiro, 2001, p.12).

Gittleman and Wolff (2000) argue that the economic position of two households earning the same income but having widely different wealth accumulation clearly cannot be regarded as identical. The wealthier family is likely to be living in a better neighborhood that can offer more amenities and lower crime rates, send their children to better schools, provide them with better health care, and have greater resources that the family can draw on in a time of need.

### *Welfare Based on Assets Theory*

The idea of the potential and benefits of asset accumulation as anti-poverty policy was developed in the seminal work of Sherraden (1991) in which he proposed a theory of welfare based on assets. Sherraden argued that the traditional income based welfare policy, which assumed that the consumption capacity of the household is an indicator of the welfare or well-being of that household, is inadequate, and that asset holdings generate positive outcomes that are beyond consumption. Sherraden introduced two primary attributes of his theory. First, according to his theory, household financial welfare should be viewed as a long term and dynamic process as opposed to a cross-sectional financial position at a specific time. Since assets represent lifetime financial accumulation, they reflect this long-term process much better than income does. Second, the household financial welfare status encompasses more than just consumption, and holding assets generates many positive outcomes.

Asset holdings, according to this theory, yields many economical, psychological and sociological positive outcomes. As Sherraden (1991) put it, “people think and behave differently when they are accumulating assets, and the world responds to them differently as well. More specifically, assets improve economic stability; connect people with a viable, hopeful future; stimulate development of human and other capital; enable people to focus and specialize; provide a foundation for risk taking; yield personal, social, and political dividends; and enhance the welfare of offspring” (p. 148).

### *Assets Effects on the Community*

Most of the research in the area of assets effects on the community focuses on homeownership (Scanlon & Page-Adams, 2001). Results from these studies consistently indicate that homeownership is strongly correlated with a wide range of variables that indicate good citizenship and investment in the community. There is a long-held belief that “compared with renters, homeowners are better citizens, better neighbors, and even better persons” (Rohe & Stewart, 1996, p.38). Individuals who are homeowners are more likely to participate in volunteer work, to be involved in local government, be more aware about their political leaders, become a member in non-professional organizations in their community, maintain their properties at a higher standard, and even garden more than non-homeowners (DiPasquale & Glaeser, 1999; Rohe & Stewart, 1996). In addition, it was found that cities and counties with higher rates of homeownership were characterized by lower levels of government spending. In these areas, a larger share of the government budget was used for education and the improvement of highways (DiPasquale & Glaeser, 1999). Additional support for the belief in the benefits of homeownership can be seen in the increase in government-supported homeownership programs, which have been justified with the arguments that these programs benefit the society as well as the individual (Rohe & Stewart, 1996).

Scanlon and Page-Adams (2001), in their review of the literature on the effects of asset holdings, present four major themes that appear as the effects of homeownership on the community. The first effect is property value. They present many economic studies indicating that homeownership is a good investment for households in the United States. The second effect is decreasing residential mobility. Homeowners are a major predictor of residential stability; when

compared with renters, homeowners tend to stay longer in one location. Residential stability is an important quality, especially due to the fact that residential instability is correlated with negative psychosocial functioning, particularly among youth. Third, homeowners are more likely to invest in property maintenance, such as painting their houses, repairing roofs and replacing broken or worn out fixtures. Finally, homeownership seems to increase social and civic involvement.

DiPasquale and Glaeser (1998) maintain that homeownership may increase positive community behaviors for two primary reasons. First, being a homeowner provides incentive for the individual to improve his or her immediate community. Second, homeownership leads to longer residence and better property condition, because residents are less likely to move frequently. Others suggest that homeowners have a large financial stake in their community and, as a result, they have higher incentives to protect their property values through investment in their neighborhood, school capital and their community that will generate positive future returns for them and for their children (Aaronson, 2000; Saunders, 1990; Sherraden, 1991).

Beyond the direct effect of assets on the community, holding assets was found to have a profound impact on members of the community. Individuals, children and families were all found to benefit significantly from holding assets. These benefits included increased well-being, life satisfaction, self-efficacy, and positive expectations toward the future, and reduced depression and alcohol use (Page-Adams & Sherraden, 1996; Page-Adams & Vosler, 1996; Rohe & Stegman, 1994; Yadama & Sherraden, 1996). In the family, asset holdings seem to have an effect on entering into first marriages, marital stability, family well-being and economic security (Scanlon & Page-Adams, 2001). Moreover, parental assets consistently have been found to be related to positive educational outcomes in children (Green & White, 1997; Hill & Duncan, 1987) and better health (Joshi & Macran, 1991).

### ***Toward an Asset Based Policy***

Although the recognition of the potential benefits of asset accumulation for the poor has accelerated in recent years, many governments and institutions are still largely using traditional policies in their efforts to alleviate poverty. These traditional policies usually promote and emphasize income transfers (e.g., income support, safety nets, rental assistance or other types of consumption) (Carney & Gale, 2001). While the policies have succeeded in temporarily easing hardship for many families, it seems that in most cases they have failed to consistently remove people from poverty.

Consequently, the challenge policy makers face today is to create inclusive policies that promote asset-building among low-income households. Without asset-building policies that specifically focus on providing equal saving opportunities to everyone, only a few low-income families will have the ability, incentive, and institutional support to save, accumulate assets, and begin the journey to escape poverty (Edwards & Rist, 2001).

## **Asset Building in Rural Communities**

### ***Background***

Asset-building in rural areas of the United States is not a new idea. Government policies dating back to the late 1700s, when the United States gained much of its territory, deal with the distribution of land to the nation's citizens; the Homestead Act of 1862 was a major piece of these policies. Providing they did not bear arms against the United States, any citizen over the age of 21, head of a household, or a military veteran was entitled to 160 acres of unappropriated land (Dick, 1970). The only requirements were that an interested party had to file an application at the appropriate land office, guarantee the land was for personal use, and begin making improvements on it within six months. After five years, if these conditions were met, an applicant could take final possession of the land at a minimum cost. If these conditions were not met, or the applicant vacated the property before the five years, the land reverted back to the government. The Homestead Act officially came to an end in 1934 when President Roosevelt withdrew all remaining land from public domain (Dick, 1970).

Throughout its duration, the Homestead Act gave 1.5 million households parcels of land totaling 246 million acres (Williams, 2000). According to estimates calculated by Williams (2000), as many as 92 million ancestors of Homesteaders could have benefited from the asset effects of the initial investments. In essence, this statute was profitable to everyone. By using national resources to provide property to citizens at a minimal cost, the government allowed anyone who was willing to go West and work the land to build assets that could be passed on to future generations. Homesteading also aided the government in expanding the western frontier by encouraging population and economic growth in the new territory. As a result of this policy initiative, rural United States grew and began to prosper.

### ***Rural Communities Today***

Since that time, however, rural communities have experienced some dramatic changes. As the economic base shifted from agriculture to manufacturing, cities grew and many people moved from farms to cities to be closer to better jobs and other opportunities not offered by farm communities. As time went on, other changes occurred causing rural areas to weaken. Because of resource depletion and the high cost of extraction, mines began to close down; technological changes brought in new machinery and new crop varieties that allowed fewer farmers to feed more people; globalization brought in more competition at lower prices for rural areas that supported businesses such as textile and steel mills; and yet another economic shift from manufacturing to service increased the number of businesses in cities, but decreased the number of businesses in rural communities where the customer base was not as strong (Freshwater, 2000).

Today, some rural communities are struggling to stay alive. Employment opportunities are declining. Young people are migrating out to gain better access to educational facilities and leisure activities and to look for better employment possibilities. As younger community members move out, they leave behind many of the older population who were displaced by the changing economy. Furthermore, retirees migrating to some rural areas are creating a new

demographic composition. Older citizens need a variety of public services that their communities cannot afford to maintain. (Pezzini, 2000). In spite of these difficulties, however, many of these rural communities do have certain strengths that could be and have been used to make improvements that benefit everyone. The availability of more land at cheaper prices entices manufacturing and service industries to relocate to these areas bringing jobs and other businesses. Because of transportation improvements, more urban dwellers are looking at rural areas as a safer and more natural environment in which to live, and some rural areas are capitalizing on the tourism industry to increase their vitality (Pezzini, 2000).

In an effort to help improve rural areas, recent government policy has concentrated on individual sectors, such as providing subsidies to farmers without looking at the communities as a whole. Using the Homestead Act as an example, the government could establish policy that aims directly at investing in the people and the infrastructure. Instead of concentrating on their limitations, rural communities can use their strengths to build assets and become more competitive. Individual Development Accounts (IDAs), a current policy initiative that encourages savings and asset accumulation by matching funds in savings accounts for the low-income, are a means by which rural communities could begin to grow again. Depending on the particular program a person is participating in and his or her individual goals, IDAs could be established for a variety of asset-building purposes including education, homeownership, home improvement, micro-enterprise and retirement.

### **Individual Development Accounts (IDAs) Research**

A national policy demonstration, the American Dream Demonstration (ADD) was designed and implemented to evaluate the effects of Individual Development Accounts (IDAs) on asset-building. IDAs are matched savings accounts. Unlike savings accounts such as Individual Retirement Accounts (IRAs) or 401(k) plans, IDAs are targeted to the poor and provide subsidies through matches rather than through tax breaks. Consisting of 14 IDA program sites around the country, ADD was the first large scale test of IDAs as a social and economic development tool for low-wealth households and communities.

Beginning in 1997, the evaluation followed over 2,000 participants at 14 community-based program sites (including four rural sites) across the United States for six years. The 14 sites operated their programs for four years with an additional two years used for post-program evaluation. Participants were allowed to use their accumulated assets for home purchases, home improvements, micro-enterprise, and education. ADD used an extensive multi-method research design to gather as much information as possible concerning the effectiveness of the programs in terms of the communities, participants, designs, and administrations in order to inform IDA policy and program development outside of ADD (Sherraden et al., 2000).

Research results from ADD data showed that poor people can indeed save with an average monthly deposit of \$25.42. Furthermore, the study reported that financial education, at least up to 12 hours, mattered in terms of higher saving outcomes as did asset ownership. The rate at which their own deposits were matched made no difference in terms of how much money participants saved. No significant differences were found between rural and urban participants (Scheirner et al., 2001).

## **IDAs in Rural Communities**

### ***Quantitative Results***

Data from the Family Assets for Independence in Minnesota (FAIM) Project was used to examine the effects of IDAs in rural communities. In the 1998 state legislative session, the Minnesota Community Action Agencies Association initiated IDA legislation. Through inclusion in the Children and Families omnibus legislation, the Minnesota Legislature passed FAIM for IDAs into law. The purpose of the FAIM Pilot Project was to help working poor Minnesotans build wealth and achieve long-term economic self-sufficiency. FAIM was scheduled to run for four years (2000-2003). As of March 31, 2001, 513 IDA participants were enrolled in the program. All participants were considered working poor with an income of 200 percent or less of the poverty line (Grinstein-Weiss, Schreiner, Clancy & Sherraden, 2001). Thirty-five percent (n=173) of the participants in the collected data came from rural communities. This sample is the data set used for the following analysis. The purpose of the analysis is to determine what variables explain savings among this population. The results of this examination will have important policy and practice implications for the design of programs such as IDAs, which target low-income people in rural communities.

The dependent variable in this study is *Average Monthly Net Deposits* (AMND), and is defined as net deposits divided by months of participation. AMND is the key outcome because greater AMND implies greater savings and asset accumulation in IDAs. The independent variables used included a wide range of participant demographic, financial, and program characteristics (See Appendix A).

### ***Descriptives***

Eighty three percent of the participants were female. Ages ranged from 17 to 66 years, with a mean age of 36 years. Approximately 92 percent of participants were between 20 and 49 years of age. Seventy-one percent of the sample were Caucasian, 24 percent were Native American, and the remaining 5 percent were other races. The majority (47 percent) of the participants were never-married, 25 percent were married, and 27 percent were divorced or separated, or widowed (1 percent).

Homes were owned by 38 percent of the participants and cars were owned by 90 percent. Thirteen percent of the rural sample had direct deposit while 46 percent owned a passbook savings account other than their IDA account, and 72 percent owned checking accounts. Eighty-two percent had either one or the other. The most reported intended use for IDA accounts was home purchase (56 percent); second was micro-enterprise (26 percent); and last was post secondary education (18 percent).

As of March 31, 2001, four (2.3 percent) rural participants had made a matched withdrawal (a withdrawal from their IDA account which included eligible matching funds), and 34 (19 percent) participants had made unmatched withdrawals (withdrawals from their IDA accounts which were ineligible for matching funds) from matchable balances (balances that were eligible for matching



fund withdrawals). Average net deposits per participant were \$245 with AMND at \$24.43. The average participant made a deposit 9 out of 12 months, saving 86 percent of their monthly savings target. The average savings rate was two percent.

### *Multivariate Analysis*

In order to assess the unique experiences of rural participants in savings and asset accumulation, Ordinary Least Squares (OLS) regression analysis was used to explore what predicts higher AMND among IDA participants. The unstandardized regression coefficients estimated by this technique give the estimated changes in AMND (in units of dollars of net deposits per month) given a unit increase in a given characteristic, holding all the other independent variables constant (See Appendix B).

The results of the multiple OLS regression analysis indicated that the model was significant [ $F(39, 109) = 5.773, p = .000$ ], and explained approximately 67% of the variance in AMND ( $R^2 = .674$ ). The adjusted  $R^2$ , which attempts to correct  $R$  squared to more closely reflect the goodness of fit of the model in the population by taking into account the number of independent variables and sample size, has a value of .557.

A closer examination of the results revealed that the following independent variables were significantly related to the AMND. These variables included current TANF recipient, dependency ratio, health insurance, direct deposit, the frequency of deposits into IDA accounts, and hours of financial education attended.

Being a current TANF recipient was associated with \$7.25 less AMND ( $p=0.048$ ) implying that participants currently receiving TANF have a more difficult time saving than those who are not receiving assistance. In addition, having health insurance is associated with \$5.18 higher AMND ( $p=0.029$ ), possibly suggesting that those participants who do not have health insurance may have less money to save because of out-of-pocket health expenditures.

The dependency ratio or the number of household members per adult was linked with an increase in AMND of \$2.85 ( $p=0.036$ ). Families with more dependents may feel the pressure of future expenses more heavily than families with fewer dependents, and therefore, try and save more.

Direct deposit was found to be significantly related to AMND, and participants who had direct deposit were associated with \$5.49 higher AMND ( $p=0.035$ ) than those participants who did not have direct deposit. This result is congruent with the proposition suggested by the institutional theory on saving that argues that individuals who are receiving some kind of saving facilitation which makes saving more manageable, simpler to understand, and more convenient will increase their willingness to save (Beverly & Sherraden, 1999). Direct deposit is a simple and efficient method of facilitation. By taking out the savings directly from one account and putting it into another, it decreases the chance that an individual will use the money for consumption (Beverly & Sherraden, 1999).

Deposit frequency is the share of months with a deposit divided by the months of participation. It is expected that as one deposits more often, he/she will have higher AMND. And indeed the

results indicate a statistically significant relationship between deposit frequency and AMND; a unit increase in deposit frequency is associated with a \$30.33 increase in AMND. Schreiner et al. (2001) suggest several reasons why high deposit frequency, or frequent savings, leads to high savings. First, when facing difficulties to save in some months, a participant who seeks to be a more frequent depositor is more likely to try harder and make more efforts to save even in the difficult months. Second, a more frequent depositor may develop techniques and habits to put money aside for savings. And third, high savings can lead to more frequent savings because making a deposit has a transaction cost, and for a higher saver with a higher deposit, this transaction cost will be more worthwhile.

Finally, hours of financial education attended by participants were also statistically related to AMND. Participants who have attended financial education were associated with \$18.26 higher AMND ( $p=0.025$ ) than participants who did not attend any financial education. More specifically, between the ranges of 1 to 6 hours, each additional hour was linked with a \$3.25 decrease in AMND. Beginning with the 7th hour of financial education and until the 12 hour, each additional hour was associated with a \$2.03 increase in AMND. Then, from 13 hours to 18 hours, each additional hour was associated with a \$1.33 decrease of AMND. These results, however, should be interpreted with caution, since the majority of the sample at the time of the study had not yet attended financial education. And out of the people who did attend, the majority had between 7 to 12 hours. In general, financial education does appear to be an important predictor of AMND, particularly between the 7th and 12th hours.

### *Qualitative Results*

In a survey of rural IDA programs, administrators and staff were asked to identify the advantages and challenges associated with implementing and managing IDA programs in their particular regions. The strongest theme to emerge in the area of advantages was that of trust. An IDA participant's trust in his or her sponsoring organization is an important issue regardless of the program location. The rural programs felt that they had a distinct advantage in this area over urban sites because in smaller communities, most people are familiar with the organization and often are acquainted with the employees, allowing participants to feel more comfortable and safe. Moreover, because of their size, rural programs are better able to provide one on one contact to participants which, again, reinforces the feelings of trust. As the trust grows, participants are eager to share their experiences with their neighbors, thus, exposing other people to the program. As one program administrator commented, "If the financial institution, or the IDA sponsoring agency, are known and trusted in the community, it will go along way in helping the program succeed, in recruitment, facilitation, and overcoming resistance."

Two central challenges emerged from the study. First, whereas the small size of a community is a benefit in terms of trust building, it becomes a barrier when trying to secure local funding. Rural areas tend to have fewer resources available that can provide adequate funding amounts, causing fewer people to be able to participate. The second problem that arose was distance. It is often hard for participants to attend classes when they do not live close to the facility. Either lack of transportation was a problem or participants did not have enough time to get to classes after work because of the location. This problem is not as severe in urban areas where there is public transportation and the participants live in a more concentrated region.

In addition, a few issues arose that were not necessarily advantages or challenges, but were important in respect to rural IDA programs. Several programs emphasized the need to be more flexible in terms of IDA uses. Many current programs do not allow IDAs for uses such as car purchases or home repairs, but for rural residents both these uses are important. Cars are needed to get to and from work and to run necessary errands. Having a car loan can also provide a much needed credit history for a future home loan. In rural areas many participants already have homes through inheritance and are, therefore, in much greater need of home repairs than of home purchases. Finally, because rural communities do not have a large pool of consumption sources as opposed to urban areas, there is more emphasis placed on increasing income (for example microenterprise) rather than controlling spending. Rural participants still discuss spending choices, but do not discuss at length topics such as resisting advertisements and consumer education.

## **Discussion**

Many rural communities today are suffering from high poverty and are in need of revitalization. Asset-building is a realistic and progressive policy initiative to fight poverty. As was suggested earlier, savings and asset accumulation are crucial in escaping poverty. Assets lead to positive outcomes for individuals, families and communities; they create opportunities for advancement and can enable the poor to expand their economic, political, and social positions. History has demonstrated that providing an institutional mechanism that fosters asset-building among residents is a practical approach that can benefit individuals as well as communities. According to research, IDAs can be that mechanism. ADD found that IDAs do indeed help people save money and build assets. Furthermore, using data from rural IDA programs, this study identified several key variables specific to rural areas that predict savings and asset accumulation in rural communities. Finally, the qualitative research provided insight on how to operate rural programs more effectively by taking advantage of their particular strengths while still recognizing their weaknesses.

Knowledge gained from these studies can be used by policy makers and program administrators to shape IDA programs specifically for rural communities. Upon examination, it seems likely that some program characteristics may have large effects on saving outcomes. First, having a mechanism for direct deposit seems to facilitate increased savings. Therefore, it is suggested that program administrators should encourage participants to use direct deposit and provide them with the means to do so. Second, direct deposit was also found to be an important factor in higher savings. Participants who were more frequent depositors saved at a higher rate than those who were less frequent depositors. Programs can use these findings and develop guidelines regarding deposit consistency, even if it is a small amount. Third, financial education also seems to matter. It is suggested that financial education be an initial program requirement, with between 7 to 12 hours being the most beneficial. Fourth, program administrators should be aware of participants with special needs who are at a disadvantage in terms of being TANF recipients or having no health insurance and may face greater difficulties in terms of trying to save. Links to other organizations could be provided so that participants may access additional economic resources.

Furthermore, the quantitative findings identify certain rural-specific issues that need to be addressed to ensure program effectiveness. Particular attention should be paid to funding sources. At the policy level, law makers need to create new initiatives that will influence funding efforts at the local level, such as providing tax incentives to organizations and institutions that fund IDA programs. At the local level, program administrators need to educate local funders on the advantages of IDA programs such as how funding IDAs can not only help build community trust in their organizations and institutions, but also improve the community as a whole. Transportation is another rural challenge. Program administrators should be mindful of the transportation needs of program participants when deciding location of training, access to facilities, and timing of training offered.

Finally, program administrators should be aware of local needs when establishing allowable uses for IDAs. In rural communities, IDAs could specifically be used for micro-enterprise, allowing residents to start their own businesses and contribute to the assets of the town as well as their own; they could be used for educational purposes to train displaced workers for other jobs; IDAs could allow some residences to repair and restore their existing homes and allow others to establish homeownership in the communities that could help strengthen and build the community. IDAs could be used for car purchases to assure reliable transportation for participants to get to their jobs. In conclusion, IDAs, alone, cannot create sustainable rural communities, but they can be an important proactive piece in an investment-oriented strategy.

## **Limitations**

Some limitations of this study are important to note. Participants in IDA programs in ADD and FAIM are not a random sample of people eligible for IDAs. They are both program-selected, because of eligibility criteria, and self-selected, because they volunteer to participate in the program. Moreover, compared with the U.S. low-income population, participants in ADD and FAIM are better educated, more likely to be employed and more likely to have some form of bank account prior to the program. This is probably due to the fact that the program targets the “working poor.” Participants in ADD and FAIM are more likely to be female and never married. This pattern reflects the population that is served by community programs that offer IDAs. Therefore, our results reflect this segment of the population. We can argue, based on our research, that poor people in rural communities with these characteristics can save, but this does not mean that low-income people with different characteristics can or cannot save (Grinstein-Weiss et al., 2001; Schreiner et al., 2001).

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## **Appendix A - Variable List**

### ***Participant Characteristics***

*Gender.* Female or male. This variable was dummy coded with female set to one(yes/no).

*Age.* The age of the participant. Two variables make up this category in the regression: age40, participants 40 years and younger; and age\_41 participants 41 years and older.

*Race/ethnicity.* Whether the participant identified himself as Caucasian, African American, Asian American or Pacific Islander, Latino or Hispanic, Native American or Other. In the regression each category was set up as a dummy variable (yes/no).

*Education.* Whether the highest grade completed corresponded to less than a high-school diploma, a high-school diploma, some college but no degree, a 2-year college degree, or a 4-year college degree or more. In the regression each category was set up as a dummy variable (yes/no).

*Employment.* Whether the participant was employed full-time, part-time, unemployed, student, not employed, or student, employed. In the regression each category was set up as a dummy variable (yes/no).

*Marital status.* Whether the participant was married, never married, separated or divorced, or widowed. In the regression each category was set up as a dummy variable (yes/no).

*Household Size.* The number of adults and children living in the household.

*Dependency Ratio.* This variable was calculated by adding the number of children to the number of adults in the household and then dividing it by the number of adults in the household.

### ***Financial Characteristics***

*Income Total.* The sum of the participant's reported household income for a year.

*Income/poverty Level.* The participant's reported household income divided by the family-size-adjusted poverty guideline.

*Welfare Status.* The welfare status of the participant. Two variables make up this category: tanf\_now, is participant currently on TANF (yes/no); and tanfnvr, whether participant has never received TANF or not(yes/no).

*Foodstamps.* Whether the participant received foodstamps (yes/no).

## **Appendix A – Continued Variable List**

*SSI.* Whether the participant received SSI (yes/no).

*Health Insurance.* Whether the participant had health insurance (yes/no).

*Life Insurance.* Whether the participant had life insurance (yes/no).

*Own Car.* Whether the participant owns a car (yes/no).

*Own Home.* Whether the participant owns a home (yes/no).

*Own Business.* Whether the participant owns his/her own business (yes/no).

### ***Program Characteristics***

*Passbook Savings or Checking Account.* Whether the participant owns either a passbook savings or a checking account (yes/no).

*Direct Deposit.* Whether the participant participates in direct deposit (yes/no).

*Deposit Frequency.* How frequent did the participant make deposits.

*General Financial Education.* How many hour of general financial education the participant attended. This variable was divided into 4 categories. The first variable, *finged0*, was a dummy-coded variable with no education set to one. *Finged6* represented participants with up to 6 hours of general financial education; *Finged12* represented participants with between 7 and 12 hours; *Finged18* represented participants with more than 12 hours.



**Appendix B**  
**Regression Results**

Independent Variables	Standardized Beta Coefficient	t-value	p-value
<b>Participant Characteristics</b>			
<b>General</b>			
Female	-0.075	-1.13	0.26
Age - 40 or under	0.010	0.12	0.91
Age - over 40	-0.023	-0.31	0.76
<b>Race/Ethnicity</b>			
Caucasian			
African American	-0.088	-1.43	0.16
Asian-American or Pacific Islander	-0.007	-0.12	0.91
Hispanic or Latino	-0.101	-1.46	0.15
Native American	0.089	1.00	0.32
Other Ethnicity	0.008	0.13	0.90
<b>Education</b>			
Completed 4-year Degree or more			
Completed 2-year Degree	-0.100	-1.31	0.19
Attended College	-0.035	-0.41	0.68
Completed High School or GED	-0.017	-0.20	0.84
Did not Complete High School	-0.035	-0.50	0.62
<b>Employment</b>			
Employed Full-time			
Employed Part-time	-0.012	-0.15	0.88
Unemployed	0.041	0.60	0.55
Student, not Working	-0.028	-0.47	0.64
Student, also Working	0.089	1.26	0.21
<b>Marital</b>			
Never Married			
Married	0.043	0.39	0.70
Divorced or Separated	0.016	0.21	0.83
Widowed	0.13	1.83	0.07
<b>Household Composition</b>			
Household Size	-0.02	-0.11	0.92
Dependency Ratio	0.22	2.13	0.04

**Appendix B - Continued**  
**Regression Results**

<b>Independent Variables</b>	<b>Standardized Beta Coefficient</b>	<b>t-value</b>	<b>p-value</b>
<b>Financial Characteristis</b>			
<b>Income</b>			
Total Income	-0.32	-1.96	0.06
Poverty Level	0.20	1.42	0.16
<b>Receipt of Public Assistance</b>			
Currently on TANF	-0.16	-2.00	0.05
Never on TANF	0.01	0.14	0.89
Foodstamps	-0.06	-0.70	0.49
Receiving SSI	0.10	1.38	0.17
<b>Insurance</b>			
Health	0.15	2.21	0.03
Life	0.05	0.66	0.51
<b>Assets</b>			
Own Car	-0.09	-1.50	0.14
Own Home	-0.09	-1.21	0.23
Own Business	0.03	0.43	0.67
<b>Program Characteristics</b>			
<b>Account Structure</b>			
Checking or Savings Account	-0.04	-0.53	0.60
Direct Deposit	0.14	2.14	0.04
Deposit Frequency	0.63	8.43	0.00
<b>Financial Education</b>			
No Financial Education	-0.64	-2.28	0.03
1 to 6 Education Hours	-0.66	-2.00	0.05
7 to 12 Education Hours	0.37	2.53	0.01
13 to 18 Education Hours	-0.21	-2.19	0.03