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Abstract

Research indicates that low-income families with children have many motives to save, however, the costs of raising children, low wage employment, means tested programs, and the need for child care make it difficult for them to save. Using data from the American Dream Demonstration (n=1,801), this study examines saving performances of low-income families with children in a matched savings program – Individual Development Accounts (IDAs). The results indicate that households with children in IDAs can save when they are provided structured opportunities. In addition, this study finds that institutional factors, not merely individual characteristics, are highly associated with IDA saving performance, and are important in explaining saving performances in IDAs. Implications for policy makers and program administrators to better assist low – income families to save and accumulate assets in IDAs are given.

Key words: families with children; dependent children; saving; assets; low-income; institutions; IDAs

Saving and Asset Accumulation among Low – Income Families with Children in IDAs

Economic hardship appears to be higher for families with dependent children compared to other household types. Empirical evidence suggests that families with children also face more difficulties in trying to save than other households, especially low-income families (Aizcorbe, Kennickell, & Moore, 2003). Though motivations to save may not differ significantly between household types, and in fact, may be stronger for families with children, the costs associated with raising children significantly impact saving outcomes. Income, education, race, and number of young children in the household are critical factors in determining who saves and who does not (Aizcorbe et al., 2003).

A relatively new policy to encourage savings and assets accumulation among low-income families is the Individual Development Account (IDA). IDAs are matched savings accounts, targeted to low-income people that provide institutional structures including incentives for saving. Account holders receive matching funds as they save for assets that promote long-term well-being and financial self-sufficiency such as homeownership, post-secondary education, or microenterprise (Sherraden, 1988; Sherraden, 1991). IDA programs and policies have generally made little or no distinction between participants with or without dependent children. Yet, the experiences and challenges facing participants with children, particularly single mother participants, are likely to be different.

IDA participants with children might find it harder to save because of higher consumption patterns related to fulfilling the needs of children, personal philosophies

related to parental investment, and saving constraints associated with government benefit programs. The purpose of this study is to examine the experiences of low-income families with dependent children in IDAs. Dependent children, for purposes of this study, are defined as children of the participants in the study sample who are eighteen years of age or younger.

Literature Review

Theories of Saving

Saving behavior is most often described as a function of income and consumption. The life cycle hypothesis (LCH) assumes that consumption and savings patterns represent an individual's age or stage within the life cycle, with a majority of saving occurring in the middle years. However, recent LCH models suggest significant heterogeneity within and across age cohorts. Conditions apart from income, such as race, education of parent, and family composition, including number and ages of children may also affect saving behavior. Furthermore, more recent models provide evidence that low-income households do not exhibit savings behavior predicted in original LCH models. Young households typically have lower saving than older cohorts due to lower earnings, education expenses, and expenses related to raising young children (Calvet & Comon, 2003; Lusardi, Cossa, & Krupka, 2001). When applying this model to low-income families specifically, consumption floors and asset limitations related to means-tested benefits should also be considered, which may alter the shape of the saving pattern.

Consistently across studies, as the number of children increases, family saving decreases (Kazarosian, 1997). Using 1984 – 1994 data from Michigan Panel Study of Income Dynamics (PSID), Hurst, Lough, and Stafford (1998) find that families with

children make more frequent saving deposits than households with no children, yet because the amount deposited is often smaller than for other households, the net worth of households with children is significantly lower (Hurst, Luoh, & Stafford, 1998).

An institutional model of saving suggests that institutional factors greatly influence an individual's ability to save. According to this perspective, asset accumulation mainly results from institutional arrangements that involve explicit connections, rules, incentives, and subsidies (Sherraden, 1991). "Institutional arrangements provide tremendous access and incentives to accumulate assets. People participate in retirement pension systems because it is easy and attractive to do so. This is not a matter of making superior choices. Instead, a priori choices are made by social policy, and individuals walk into the pattern that has been established" (Sherraden, 1991, p.127).

Sherraden, Schreiner, and Beverly, (2003) identify five institutional variables they consider instrumental in individual saving and asset accumulation. The first variable is access. They argue that individuals who have access to institutionalized mechanisms are more likely to have higher saving rates than those who lack access. The second variable is information. Information refers to the extent to which people understand the process and rewards of saving. The more people understand the more likely they will be engaged in savings. The third variable is incentives. People are more likely to save when there are enticements to do so. The fourth variable is facilitation. Individuals who are provided with saving facilitation, which makes saving more manageable and convenient, will more likely increase their willingness to save compared with those who are not provided facilitation. The fifth variable is expectations. People who have specific

savings expectations are more likely to save more than those who do not have savings expectations.

Saving Challenges among Low-Income Families with Children

Contemporary savings models suggest that families with children have several motivations to save including: saving to purchase a home, saving for their children's college education, bequests to their children in later years, or precautionary motives such as saving to buffer shocks or for retirement (Browning & Lusardi, 1996; Lusardi et al., 2001; Steelman & Powell, 1991). In spite of these motivations, they may also face several challenges in trying to save compared to families with no children.

Costs of raising children. Costs associated with raising children significantly impact a family's ability to save. As the number of children in a household increases, so does the level of economic hardship. Economic hardship, defined as difficulty paying for basic necessities, has a more exaggerated negative effect on saving among low-income households (Browning, 1992; Meyers & Lee, 2003; Mirowsky & Ross, 1999). The United States Department of Agriculture (USDA) compared household expenditures for families with children and found expenses positively correlated with income and age of children. Three primary expenses were evident in these families: housing, food, and transportation, which increase as children grow older. Interestingly, expenditures per child were actually less in households with three or more children than in single child households (Lino, 2003).

Work-family balance and the need for child care. Another essential cost for families with small children is childcare. Use and allocation of financial resources toward childcare often depend on cultural values and beliefs. For example, some prefer

to utilize family and friends as caregivers and others prefer center-based care (Holloway, Fuller, Rambaud, & Eggers-Pierola, 1997). There are also families for which choice is not available. Many low-income parents are employed in shift-work positions, which tend to change frequently and often do not coincide with childcare center hours of operation. Therefore, family and friends are relied upon to provide care, either in place of or in addition to center-based childcare services. In some instances, childcare centers are unavailable in low-income neighborhoods forcing these working parents to solely rely on friends and family (Holloway, et al, 1997). Reliance on these informal sources of childcare sometimes leads to ineligibility for childcare subsidies, potentially doubling childcare expenses for these families (Lowe & Weisner, 2004).

Low-income employment market. Savings amounts are found to be positively associated with household earnings. Income generation alone is challenging for heads of households participating in low-wage employment markets. When combined with circumstances typically associated with unstable markets such as, fewer benefits and limited chances for job promotions, saving is even more difficult for low-income families (Meyers & Lee, 2003). Income-expense ratios for low wage earners with children create a hardship in terms of asset accumulation as wages are high enough to make them ineligible for government assistance (e.g. child care assistance, housing assistance, and health care) but are not high enough for them to be eligible for tax incentives.

Means-tested programs. There is some evidence suggesting that government programs are associated with a disincentive to save (Hurst & Ziliak, 2004). Low-income families with children must contend with disincentives associated with means-tested government programs such as Temporary Aid to Needy Families (TANF), Supplemental

Security Income (SSI), Medicaid, and Food Stamps. As participants in these programs reach or exceed asset limitations, their benefits are either reduced or eliminated altogether. It seems that these programs tend not to consider the episodic and often unstable nature of low-wage employment positions (Lowe & Weisner, 2004). Such government restrictions on asset holdings reduce the incentive for households to save. Additionally, families who do receive welfare support may perceive a false sense of financial security, thus resulting in lower precautionary savings (Hubbard, Skinner, & Zeldes, 1995; Hurst & Ziliak, 2004). Studies indicate that as means-tested programs have increased asset limits, savings among families with children have also increased (Hubbard, Skinner, & Zeldes, 1995; Hurst & Ziliak, 2001).

Though low-income families with children face a number of challenges to saving, policies and programs that encourage saving can provide incentives and facilitation to save and are important for families with children. IDAs are one such program. As mentioned earlier, the purpose of this study is to examine the experiences of low-income participants with children in IDAs. Specifically, the following questions are addressed: (a) What are the individual characteristics associated with savings outcomes among IDA participants with children; (b) What are the institutional characteristics associated with savings outcomes among IDA participants with children; (c) What are the program and policy implications for supporting asset building for families with children?

Methods

Data and Sample

The data come from the "American Dream Policy Demonstration" (ADD), the first large-scale test of IDAs designed to study the merits of IDAs as a community

development and public policy tool. Beginning in 1997, ADD research followed more than 2,000 participants at 14 community-based program sites across the United States for four years (1997 - 2001). The Corporation for Enterprise Development (CFED) in Washington, DC, designed and guided ADD, while the Center for Social Development (CSD) at Washington University designed and conducted much of the research. IDA programs in ADD are operating in community-based organizations that are working together with financial institutions. In most cases, participants in ADD are at or below 200% of the federal income-poverty guidelines, with a median value of 100% poverty level.

As mentioned earlier, participants in IDA programs (including ADD) receive general financial education classes on how to save small amounts of money with a formal financial institution. These small savings are then matched over time to enable a participant to invest in homeownership, education, or microenterprise (Sherraden, 1991). The accounts are similar to other defined contribution plans such as 401(k) retirement plans. Just like 401(k) retirement plans, IDAs offer a monetary incentive for participation. Every dollar saved by an IDA participant—in an IDA account—is matched by funds from a private source (e.g., charitable organizations or foundations) or from a public source. Although programs may vary, participants usually receive general financial education (mentioned earlier) and "goal" specific training. For example, an account holder saving for a micro-business receives general basic instruction on financial management and consumption, including balancing a checkbook. In addition he/she receives micro-business specific training such as business-plan writing and marketing. A participant saving for homeownership receives instruction related to owning a home,

while participants saving for education receive training related to investing in education.

The organizations in ADD are a diverse group of community development corporations, social service agencies, and for-profit and not-for profit organizations (see a detailed description by Sherraden et al., 2000). Although all the programs offer an incentive to save (in the form of a match), each program offers somewhat different opportunities, constraints, and consequences. For example, where some programs may offer a 1:1 match for a specific saving goal, say microenterprise, other programs may offer a 2:1 or 3:1 match for the same goal. The match rate across programs and/or uses ranges from 1:1 to 7:1. Similarly, where some programs offer 6 hours of general financial education, other programs may offer more or less. In addition, programs may differ on several other measurable variables including whether a program encourages direct deposit for IDA deposits and whether a program supplements general financial education with a peer-group mentoring system. The variation in measurable program characteristics (including the match rate) is partly due to the requirements of individual programs implementing IDAs and partly due to the requirements set by funding sources. ADD employed a multi-method research design to gather information on many aspects of IDA programs and participants including 8 different research methods such as cross-sectional survey of participants, in-depth interviews, and an experiment site with random assignment. While data from the experiment site are not ready for analysis at this point, this study used data that comes from monitoring all savings transactions. Program staff collected both program and participant data with the Management Information System for Individual Development Accounts (MIS IDA). MIS IDA was designed by the Center for Social Development at Washington University for this research purpose. MIS IDA

tracks program characteristics, participant characteristics (both socio-demographic and financial), and all IDA saving transactions for all ADD participants at all 14 ADD program sites. The data are then checked for data entry errors, outliers, missing cases, and inconsistencies of the data using MIS IDA quality control software. Missing cases in this study ranged from 0% to 9%, with the majority of cases having no missing cases. An examination of the variables with the missing cases in this study revealed no obvious pattern in the missing data. Savings data are from financial institutions and, thus, are highly accurate. This may be the best available data set on savings patterns among low income families (Sherraden, 2002).

Participants in this analysis include all enrollees, including those who have dropped out of the program without a matched withdrawal. The regression analyses use the participants' characteristics that were recorded at enrollment to avoid issues of two-way causation between income and savings.

The MIS IDA data are complemented by an additional data set that came from a program-level survey conducted with the 14 ADD sites. The survey data was collected using face-to-face and telephone interviews with administrative personal at the 14 ADD sites. The survey instrument was designed based on constructs suggested by institutional theory (Ssewamala & Sherraden, 2004).

Measurement

Dependent variable. The dependent variable in this study is the saving outcome, Average Monthly Net Deposit **(**AMND). AMND is defined as net deposits per month and is calculated as deposits plus interest minus unmatched withdrawals, divided by the number of months of participation. Thus, AMND controls for the length of participation

in the program. The variable, net deposits used to calculate AMND, is defined as deposits plus interest (net of fees) minus unmatched withdrawals. Net deposits includes matched withdrawals (withdrawals for matchable uses), but excludes deposits in excess of the match cap (maximum amount that can be matched) or deposits made after the time cap (the number of months after opening an account in which a participant may make matchable deposits). Excess deposits, late deposits, and unmatched withdrawals are savings in IDA accounts, but they cannot be matched and therefore are not considered net deposits. AMND is the key measure of savings outcomes in this study because greater AMND implies greater savings and assets accumulation (Schreiner et al., 2001).

Independent variables. The independent variables include participant and program characteristics. Participants' demographics include gender (1 = female, 0 = male); age (in years); a set of dummies that measures marital status: single, divorced/separated and married (the reference group); number of children (under 18 yrs); and number of adults (18 yrs and older) in the household. We also include a set of dummy variables indicating whether participants identify his/her race as African American, Latino or Hispanic, Other category, or Caucasian (the reference category). Another set of dummies measures education attainment of participants: Do not have a high school diploma (reference group), have a high-school diploma, some college but no degree, and graduated from college. Finally, employment status of a participant is measured by whether he or she was employed full time (> 35 hours per week), employed part time (< 35 hours per week), unemployed (reference group) or a student.

Participants' financial characteristics include a dummy variable for whether a participant has ever received TANF or AFDC; monthly household income; car ownership

(1 = yes, 0 = no); home ownership (1 = yes, 0 = no); and having either a checking or savings account (1 = banked, 0 = unbanked). For the purpose of interpretation, we divided the household income by 100 for the regression analyses.

Four institutional constructs are included in the analysis. They are *facilitation* -- operationalized as direct deposit; *incentives* -- operationalized as match rate; *information* --operationalized as hours of financial education and peer group meeting (which allow for information sharing); *expectations* -- operationalized as monthly saving target. Specifically, the institutional characteristics are included as follows: Direct deposit (1 = yes, 0 = no); 4 dummies for match rate, 1:1 (reference group), 2:1, 3:1, and 4:1 to 7:1; financial education received (in hours); monthly saving target and peer group meetings. IDA participants are required to attend free financial education and asset-specific classes as part of the program. Financial education classes cover material regarding financial management and saving strategies, and include topics such as how to create a budget, how to manage money, and how to fix and establish credit records. The asset specific classes provide specific information on the desired asset. In our analysis we include a measure of general financial education, which depicts the number of financial education hours a participant has taken. The monthly savings target measure included in our analysis is the total match cap (that is, the limit on the amount of deposits that can be matched) divided by the time cap (that is, the number of months after opening an account in which a participant may make matchable deposits). Finally, the peer group meeting variable asks whether there have been formal peer group meetings of IDA participants in addition to financial education.

Analysis

This study focuses on the experiences of IDA participants with dependent children, defined as 18 years or younger (n=1,801). In the analysis phase some descriptive statistics are produced to characterize this group. Then, in order to answer the second question, "What individual characteristics are associated with saving performance for IDA participants with children?" and the third question, "What institutional characteristics are associated with saving performance for this group?" a hierarchical Ordinary Least Squares (OLS) regression analysis is conducted. The first step of the hierarchical regression explores individual characteristics associated with saving among IDA participants with children. The second and third steps of the hierarchical regression answer two additional questions: (1) Controlling for the effects of individual characteristics, what institutional characteristics are associated with saving for this group? (2) Controlling for the effects of individual characteristics, do institutional characteristics [measured (step 2) and unmeasured (step 3)], as a block, affect the saving performances of IDA participants with children?

Results

Table 1 shows the sample characteristics of IDA participants with children.

Individual Characteristics

Most of the participants in this group were female (84%) and were living in an urban area (86%). Ages ranged from 13 to 69 years, with a mean age of 34 years, and a standard deviation of 8.81. About half (46%) of the participants were single, 29% were divorced, separated, or widowed, and 24% were married. The average number of

children in the household was two and the average number of adults in the household was 1.5. Sixty percent of the households have one adult. The majority of the participants were African American (48%), followed by Caucasian (36%), Latino (9%), and Other ethnicity (7%).

Approximately 17% of the participants did not complete high school, 26% had a high school degree, 37% attended some college but did not graduate, and 20% had a college degree (either 2 year or 4 years). The majority of participants (62%) were employed full time (35 hours per week or more), while 21% worked part time. Eight percent were unemployed or not working and 8% were students (see Table 1).

About 54% reported that they never received AFDC or TANF. The mean monthly household income was $1,454, with a median income of $1,360. In annual terms, the average income was $17,448 a year. The majority (76%) of the participants with children had either a checking or savings account (other than their IDA). Sixteen percent owned a home, and 65% owned a car (see Table 1).

Institutional Characteristics

Only 6% of the participants with children had direct deposit. Twenty-four percent of the participants with children had a match rate of 1:1. Fifty percent had a match rate of 2:1, 15% had a 3:1 match rate, and 6% had between 4:1 to 7:1 match rate.

IDA participants are required to attend free financial education and asset-specific classes as part of the program. IDA participants with children received, on average, 10 hours of general financial education. Monthly savings target is defined as the amount which, if saved each month and not removed in unmatched withdrawals, will be matched. The average monthly saving target for this group is $42.30. Approximately one third of

the programs included peer group meetings (See Table 2).

Saving Performance of Families with Children

The results of the Hierarchical OLS regression analysis when AMND was regressed on the individual characteristics and measured institutional characteristics is significant [$F(27, 1{,}504) = 18.9$, $p = .000$] and explained approximately 26% of the variance in AMND ($R^2 = .26$, Adjusted $R^2 = .24$) (see Table 3).

The regression results indicate that all of the institutional variables and several individual variables are associated with savings for IDA participants with children. Specifically, race is significantly related to saving; when compared to Caucasians, being African American is associated with a $3.43 decrease in AMND. Hispanics/ Latinos are associated with a $5.31 increase in AMND compared to Caucasians. Other Ethnicity is associated with a $4.79 higher AMND compared with Caucasians.

Education is also significantly related to AMND. Participants who graduated from college (2-years or 4-years and above) are associated with a $6.31 higher AMND than IDA participants with children who did not complete high school. Looking at employment, being a working student is associated with $6.36 higher AMND when compared with being unemployed/ not working. Higher income is associated with higher AMND. Although these results imply that IDA participants with higher monthly income save more, it is a small effect. A $100 increase in household income is associated with a $0.33 increase in AMND.

Assets ownership (home, car and bank account) is associated with saving for IDA participants with children. Specifically, participants who are homeowners have a $4.89 higher AMND than participants who are not homeowners. Likewise, participants who

are car owners are associated with a $2.83 higher AMND than participants who do not own a car.

Participants who have either a checking or savings account (excluding their IDA account) are associated with a $3.16 higher AMND than participants with no accounts.

Turning to institutional characteristics, direct deposit is associated with AMND. Specifically, compared to participants who do not have direct deposit, having direct deposit is associated with an increase of $4.69 in AMND. Hours of financial education attended by IDA participants is also statistically related to AMND. Specifically, each additional hour of financial education is associated with a $0.86 increase in AMND.

Match rate is also statistically associated with IDA savings. A match rate of 2:1 is associated with a $3.33 decrease in AMND, a match rate of 3:1 is associated with a $7.13 decrease in AMND, and a match rate of 4:1 to 7:1 is associated with a $7.99 decrease in AMND compared with a 1:1 match rate.

Monthly saving target is significantly related to AMND. Each additional dollar in the monthly saving target is associated with a $0.32 increase in AMND. Finally, peer group meetings are statistically associated with AMND. Participants in programs that offer peer group meetings in addition to regular financial education meetings, are associated with a $15.14 higher AMND compared with participants in programs that do not offer these additional peer group meetings.

Effect of Institutional Characteristics as a Block

In order to determine the specific amount of variance that institutional variables (measured and unmeasured) can be accounted for, above and beyond what has been explained by the individual variables, when predicting AMND for IDA participants with

children, hierarchical regression is used.

Table 4 indicates that controlling for individual characteristics, the measured institutional characteristics as a block significantly (P<.001) increase the variance explained in AMND for this group. As can be seen in Table 4, individual characteristics alone account for 15% of the variance explained in AMND (R^2=.15). Adding the measured institutional characteristics to the model as a block increases the variance explained in AMND in 11% (R^2=.26), and adding the program dummies (unmeasured factors linked with programs) as a block accounts for an additional 4% increase in AMND of the variance (R^2=.29).

Examination of the significant level changes when the measured institutional characteristics were entered into the model suggests that age and education -- attendance of some college when compared with no high school -- became insignificant. Working students compared with the unemployed, became significantly related to savings. When the program dummies were added into the model, race (African American and Latino / Hispanic), assets ownership (car and bank ownership), direct deposit, and a match rate of 3:1 compared with a match rate of 1:1 became insignificant. The number of children became significantly related to savings. These changes in significant variables are not unexpected, however. When covariates that are mildly correlated with existing variables are introduced into the model, predication variables that are not highly significant can have their p-values shift enough to cross the border from p<.05 to p>.05 and vice-versa. For example, the p-value for number of children shifted from .085 to .038 when program dummies were entered into the model.

Limitations

Some limitations of this study are important to note. First, the data analysis phase uses individual characteristics that were collected on the participants at the time of their enrollment in the IDA programs. Individual characteristics may have changed during the time an individual spends in the program, which might have some relationship to the saving outcome; however, these changes have not been recorded (Ssewamala, 2003). Second, this study assumes that deposits in IDAs come from new savings. However, it may be the case that some participants in IDAs are transforming money from other assets they have, and as a result, deposits are coming from assets that have been shifted and not from new savings (Schreiner et al., 2001; Zhan, Sherraden, & Schreiner, 2002). Third, while statistical analyses controlled for stratification by site by including the 14 program dummies in the Hierchical OLS, it did not control for possible inter-site correlation of the error term.

Finally, since ADD data were not collected using randomized assignment techniques, there is lack of control in the data, which means that it is hard to attribute the effects of participating in IDAs on the saving outcomes. It is difficult to determine how participants would have saved if they were not participating in IDAs. The experimental design in ADD will be able to test to this; however, the data are not yet available.

Discussion and Implications

This study is the first quantitative examination of the saving performance of low-income households with children in IDAs. The results indicate that households with children in IDAs can save when they are provided with structured opportunities. The AMND for this group is $19.07 with an average 2:1 match rate, families with children

can accumulate $57.21 a month or approximately $2,060 over an average of three years in the program. Is this enough money to enable low-income families with children to accumulate assets? IDA participants do use their savings to pursue life goals. Home ownership is the most common use of IDA savings in ADD. When combined with other housing programs, savings of $2,000 or sometimes less can turn the homeownership dream into reality in many regions of the United States.

We examined the unique experiences of low-income households with children in IDAs by looking at individual and institutional factors that may be associated with IDA saving performance for this group. Results indicate that institutional factors, not merely individual characteristics, are highly associated with IDA saving performance, and are important in explaining saving performances in IDAs. This supports the institutional theory on savings that suggests that when provided with access, information, incentives, facilitation, and expectation, even low-income families with children can save and accumulate assets in IDAs.

Individual Characteristics Associated with Saving among Families with Children

Several individual characteristics are associated with saving performance for IDA participants. Race is one factor associated with savings among families with children. African Americans had significantly lower AMND when compared with Caucasians. Latinos or Hispanics, and Other Ethnic Minorities on the other hand, saved more than Caucasians. These findings are in line with other findings on racial differences in savings in IDAs (Grinstein-Weiss & Sherraden, 2004; Schreiner, Clancy, & Sherraden, 2002). Further research on what helps some ethnic groups do better than other groups in terms of saving is needed.

IDA participants with children who have a college degree are associated with higher savings when compared to participants with no high school. Similar results obtained by Lusardi, et al., (2001) indicate that education greatly impacts the saving and net worth of families with children. Parents who hold a college degree are more likely than those with a high school diploma or less to own savings and checking accounts and invest in high risk assets. These findings are also in line with the literature on homeownership. It is consistently suggested that individuals with less than a high school education are considerably less likely to become homeowners over the life course (Gyourko & Linneman, 1997; Masnick & Di, 2001).

Higher income is also associated with higher saving amounts for IDA participants with children. However, this is not a large effect. A $100 increase in income is associated with only $0.33 increase in AMND. This finding is congruent with findings of other research on ADD that finds that income is not strongly related to savings (Schreiner et al., 2002; Sherraden, Schreiner, & Beverly, 2003). Looking at employment, IDA participants with children who are working students are associated with higher savings when compared to IDA participants with children who are unemployed.

Assets ownership, specifically home ownership, car ownership, and being banked, seems to be an important predictor of savings among families with children. Home ownership and car ownership may be a proxy to the fact that participants already have some experience with saving. Participants who are car owners may also find it easier to get to financial institutions to make a deposit and to get to financial education classes. In addition, participants who are "banked", having either a saving or checking account, are associated with higher savings.

There may be several explanations why unbanked IDA participants with children find it harder to save compared to banked participants with children. First, being banked implies an existing relationship with financial institutions and thus implies greater financial sophistication. Second, banked individuals may find easier ways to make deposits by establishing direct deposits or simply making deposits by mail, avoiding transaction costs associated with making a special trip to the bank (Schreiner et al., 2001). Third, being unbanked may be a proxy for unobserved characteristics that may be associated with savings such as country of origin and neighborhood characteristics.

Institutional Characteristics Associated with Saving among Families with Children

The institutional theory of saving posits that institutional characteristics other than individual characteristics may play an important role in promoting savings (Beverly & Sherraden, 1999; Sherraden, 1991; Sherraden et al., 2003). In order to assess the amount of variance that institutional variables (as a block) accounted for, beyond what has been explained by the individual variables, this study uses hierarchical regressions analyses. The results indicate that controlling for individual variables, institutional variables (financial education, peer group meetings, match rate, direct deposit, and monthly saving target) and unmeasured institutional variables (program dummies) lead to a significant and considerable increase in the variance explained. These results support the argument that institutions have an important role in shaping savings behavior and may explain a significant part of the variance in personal savings, thus implying that polices and program design can have a positive effect on savings among low-income families with children.

IDA programs require financial education as a way to provide information and

economic literacy to the participants. This study finds that hours of financial education is highly associated with savings outcomes among IDA participants with children. Specifically, each additional hour of financial education is associated with an increase in saving amounts for this group. This result is consistent with other studies reporting that financial management programs can improve financial knowledge and behaviors of the low-income population (Caskey, 2001; Clancy, Grinstein-Weiss, & Schreiner, 2001; Jacob, Hudson, & Bush, 2000). Therefore, it is recommended that financial education should be an initial program requirement.

Peer group meetings, in addition to financial education classes is another way to share information among low income families with children. This study finds that peer group meetings are an important predictor of savings. It seems that peer group meetings might enable IDA participants with children to share their experiences related to savings. This might include providing advice on how to save as well as encouragement to save, in a supportive environment. Based on this result it is suggested that more programs incorporate peer group meetings in their program designs.

It is sometimes assumed that higher match rates will increase saving but the literature on saving incentives is inconclusive. While some researchers find that saving incentives have significant positive effects on promoting saving behavior (Poterba, Venti, & Wise, 1994), others find only moderate or no effect of incentives on saving behavior (Engen, Gale, & Scholz, 1994; Hubbard & Skinner, 1996). Results of this study find that match rate is associated with a decrease in saving amount. Sherraden, Schreiner, & Beverly (2003) suggest three possible explanations as to why match rate is associated with a decrease in saving for participants in IDAs. First, programs may set match rate

levels regardless of saving expectations of the participant. Second, regardless of match rate, participants may try to use all their match eligibility. Third, when the saving goal is set from the beginning, participants may choose to save less and still enjoy the same return.

Based on an institutional view of saving, direct deposit is a simple and efficient method of facilitation (Beverly & Sherraden, 1999; Sherraden et al., 2003). In moving money directly from one account to another, the chance that an individual will use the money for consumption is decreased. As expected, IDA participants with children who use direct deposit save higher amounts than IDA participants with children who do not use direct deposit. Programs should encourage more participants to use direct deposit and provide the mechanism to do so.

Expectations refers to the idea that people who have specific saving goals are more likely to save more than those who do not have specific saving goals, or have lower saving goals. The monthly saving target is used in this study as a measure of expectation. Each IDA program establishes its own monthly saving target. It is hypothesized that a higher monthly savings target will provide incentives for higher savings. Indeed, this study finds that a monthly saving target is strongly associated with higher savings for IDA participants with children. These results suggest that IDA programs could increase their limits on matchable deposits in order to encourage higher savings.

In conclusion, participants with children in IDAs have the ability and willingness to save toward accumulation of assets. These findings suggest that asset-building policies may enable more low-income families with children to save and accumulate assets by designing and promoting programs such as IDAs that provide institutional

mechanisms to save.

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Table 1: The 13 Host Organizations in ADD

Sponsoring Organization	Location	Type of Community	Type of Organization	Targeted Participants for IDAs	Previous IDA Experience
ADVOCAP	Fond du Lac, WI	Small town and Rural area	Community action agency	Former AFDC/TANF recipients; working poor people	YES
Alternatives Federal Credit Union	Ithaca, NY	Small city and rural area	Community development credit union	Single parents; youth	NO
Bay Area IDA Collaborative	Oakland, CA	Urban	Collaborative of 13 community-based organizations	Low-income Asian Americans; African Americans; Latinos	NO
CAAB Corporation	Washington, DC	Urban	Collaborative of 8 community-based organizations	TANF recipients; youth; African Americans; Latinos; Asian Americans	NO
Central Texas Mutual Housing Association	Austin, TX	Urban	Not-for-profit housing organization	Rental property residents; youth	NO
Central Vermont Community Action Council	Barre, VT	Small towns and rural areas	Community action agency and community development corporation	TANF recipients; youth	NO
Community Action Project of Tulsa County	Tulsa, OK	Urban	Community based anti-poverty organization	Program 1: Working-poor families with children, 200% of poverty or less. Program 2, Experimental Design: 150% of poverty or less.	NO
Heart of	Kansas City,	Urban	Community	Latinos;	NO

America Family Services	MO		based family services agency	African Americans	
Human Solutions	Portland, OR	Urban	Not-for-profit housing organization	Rental property residents	NO
MACED	Berea, KY	Small towns and rural areas	Association of community development organizations	African Americans, rental property residents, working poor	NO
Near Eastside IDA Program	Indianapolis, IN	Urban	Social service organization / Community development credit union	Neighborhood residents; youth	YES
Shorebank Corporation	Chicago, IL	Urban	Community development bank with not-for-profit affiliate	Rental property residents; Shorebank customers	NO
Women's Self-Employment Project	Chicago, IL	Urban	Microenterprise development organization	Low-income, self-employed women; public housing residents	YES

Source: Sherraden, et al. (2000)

Table 2: Descriptive Statistics for Individual Characteristics of the Sample

Independent variables	N	Mean	S.D.
Gender (1 = female)	1801	.84	.37
Age	1801	34.39	8.81
Marital status			
Single	1781	.46	.50
Divorce/Separated/ Widowed	1781	.29	.46
Married	1781	.24	.43
Household composition			
Number of Children	1801	2.27	1.3
Number of Adults	1781	1.47	.69
Race/ Ethnicity			
African American	1801	.48	.50
Latino/ Hispanic	1801	.09	.28
Other ethnicity	1801	.07	.26
Caucasian	1801	.36	.48
Education			
No high school	1798	.17	.37
Completed high school	1798	.26	.44
Attended some college	1798	.37	.48
Graduated from college	1798	.20	.40
Employment			
Unemployed	1799	.08	.28
Working student	1799	.09	.28
Employed part-time	1799	.21	.41
Employed full-time	1799	.62	.49
Household income	1757	14.54	7.02
Public assistance (1 = Never used TANF/ AFDC)	1782	.54	.50
Asset ownership			
Home ownership	1799	.16	.36
Car ownership	1798	.65	.48
Bank account	1799	.76	.43

Table 3: Descriptive Statistics for Institutional Characteristics of the Sample

Independent variables	N	Mean	S.D.
Direct deposit	1693	.06	.24
Match rate			
1:1	1801	.24	.43
2:1	1801	.50	.50
3:1	1801	.15	.36
4:1 to 7:1	1801	.06	.23
Financial education	1703	10	6.06
Monthly saving target	1801	42.3	20.79
Peer group meetings	1686	.32	.47

Table 4: Hierarchical Regression Analysis: Individual and Institutional Characteristics and Average Monthly Net Deposit

	Model 1		Model 2		Model 3	
Independent variables	**b**	**S.E**	**b**	**S.E**	**b**	**S.E**
Gender						
Female	-0.74	1.89	-0.74	1.78	-0.64	1.75
(Male)						
Age	0.18*	0.08	0.10	0.07	0.06	0.07
Marital status						
Single	-2.21	1.97	-1.66	1.87	-1.31	1.85
Divorce/Separated/ Widowed	-0.43	2.05	0.33	1.93	0.96	1.90
(Married)						
Household composition						
Number of Children	-0.78	0.49	-0.79	0.46	-0.94*	0.46
Number of Adults	0.74	1.03	1.43	0.99	1.62	0.98
Race/ Ethnicity						
African American	-7.35***	1.46	-3.43*	1.42	-2.68	1.53
Latino/ Hispanic	5.04*	2.33	5.31*	2.21	3.03	2.41
Other ethnicity	4.82*	2.46	4.79*	2.31	4.52*	2.30
(Caucasian)						
Education						
(No high school)						
Completed high school	1.50	1.96	0.71	1.85	0.03	1.82
Attended some college	4.07*	1.91	1.88	1.81	1.09	1.79
Graduated from college	9.33***	2.15	6.31***	2.04	5.63***	2.02
Employment						
(Unemployed)						
Working student	4.17	2.98	6.36*	2.81	6.60*	2.76
Employed part-time	-0.19	2.46	-0.03	2.33	2.37	2.34
Employed full-time	-1.58	2.29	-1.93	2.20	-0.47	2.20
Household income	0.38***	0.10	0.33***	0.09	0.28***	0.09
Public assistance						
Never used TANF/ AFDC	-0.68	1.32	0.35	1.24	0.90	1.24
(TANF/AFDC used/using)						
Asset ownership						
Home ownership	3.99*	1.75	4.89***	1.68	5.30***	1.76
Car ownership	3.55**	1.44	2.83*	1.36	2.37	1.35
Bank account	5.45***	1.54	3.16*	1.45	2.55	1.45

Table 4: Hierarchical Regression Analysis: Individual and Institutional Characteristics and Average Monthly Net Deposit (Continue)

	Model 1		Model 2		Model 3	
Independent variables	**b**	**S.E**	**b**	**S.E**	**b**	**S.E**
Direct deposit			4.69*	2.32	4.35	2.29
Match rate						
(1:1)						
2:1			-3.33**	1.36	-5.60***	1.70
3:1			-7.13***	2.30	-4.01	3.66
4:1 to 7:1			-7.99*	3.50	-9.45*	4.03
Financial education			0.86***	0.10	1.23***	0.12
Monthly saving target			0.32***	0.03	0.37***	0.05
Peer group meetings			15.14***	1.62	37.50***	4.20
Program dummies						
ADVOCAP					7.65*	3.62
Near Eastside IDA Program					-6.35	4.18
Heart of America Family Services					24.94***	5.06
Human Solutions					26.20***	4.61
MACED					16.87***	5.37
Community Action Project of Tulsa, program 1					17.90***	4.63
Shorebank Corporation					23.27***	4.04
Women's Self-Employment Project					21.41***	4.17
Alternative Federal Credit Union					-7.10	4.88
Central Texas Mutual Housing Association					19.96***	5.41
Community Action Project of Tulsa, program 2					16.28***	4.31
Central Vermont Community Action Council (CAAB Corporation)					-14.01***	3.69

*p ≤ .05; **p ≤ .01; ***p ≤ .000

Table 5: Hierarchical OLS - Influence of Institutional Characteristics on AMND

Model	R^2	Adjusted R^2	$R^2 \Delta$
Model 1: *Individual Characteristics:* [gender, age, marital status, household composition, race/ethnicity, education, employment, household income, recipient of public assistance, asset ownership]	.15	.14	
Model 2: Measured Institutional Characteristics: [direct deposit, match rate, financial education, monthly savings target, peer group meetings]	.26	.24	.11***
Model 3: Unobserved factors linked with programs/program/site dummies ADVOCAP Near Eastside IDA Program Heart of America Family Services Human Solutions MACED Community Action Project of Tulsa (2 sites) Shorebank Corporation Women's Self-Employment Project Alternative Federal Credit Union Central Texas Mutual Housing Association Central Vermont Community Action Council Bay Area IDA Collaborative CAAB	.29	.28	.03***

***p<.01