



Saving in Low-Income Households: Evidence from Interviews with Participants in the American Dream Demonstration

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Center for Social Development
George Warren Brown School of Social Work
Washington University in St. Louis

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1. Introduction and Overview

Individual Development Accounts

Individual Development Accounts (IDAs) are savings accounts for designated purposes, with subsidies for people with low- and moderate-incomes. IDAs are designed to help people build assets for long-term security and investment. Account holders receive matching funds as they save for purposes such as buying a first home, going to college, or starting a small business. IDAs can begin as early as birth and funding can come from public, non-profit, or private sources. Typically, IDA participants receive financial education, including money management and asset-specific training.

IDAs were introduced by Michael Sherraden (1988, 1991), who suggested that (1) saving and asset accumulation is largely a matter of structures and incentives, not merely personal preferences, and (2) assets may have a wide range of positive economic, social, and psychological impacts. Many low-income households do not have access or the means to participate in other subsidized asset building programs, such as Individual Retirement Accounts (IRAs) or 401(k) plans. IDA programs were thus conceived as an asset building program targeted to people with low incomes, providing subsidies through matches rather than through tax breaks. IDAs are a relatively simple policy instrument and adaptable to a wide range of applications and circumstances.

In this report we present findings from in-depth interviews with low-income households, who participated in a social experiment on IDAs. These interviews explore a range of questions, which have largely not been addressed with this population. Do low-income households save? If so, how do they save? What is their family and personal history with savings and asset accumulation? What are their views of savings instruments and the effects of the saving process and savings on their lives? While a number of hypotheses can be explored with these data, in this report we present the data descriptively, using the respondents' words and quotes to illustrate main themes. Subsequent publications will apply theoretical perspectives on saving, testing their applicability to these data. Where possible, we draw on other data that has been gathered from the experimental site and from the larger American Dream Demonstration research project.

American Dream Demonstration

The American Dream Demonstration (ADD) is the first systematic study of IDAs. Its purpose is to find out whether IDAs are successful, in what ways, and for whom. Because IDAs are still fairly new and because there is much to learn, research is central in ADD.

The ADD research is a comprehensive examination of a large social and economic policy demonstration. The Center for Social Development (CSD) at Washington University in St. Louis designed the research with the advice of an expert Evaluation Advisory Committee (Sherraden, 1997). The study took place over the course of six years (1997-2003). Multiple methods were designed to examine ADD from several perspectives and gather data to inform the development of IDA policy and programs outside of ADD (Sherraden et al., 1995). This report focuses on

findings from in-depth interviews with a randomly selected group of IDA participants and control respondents at one site.¹

Host Organizations

The Corporation for Enterprise Development (CFED) organized ADD. Using a competitive process, 13 host organizations were selected to design, implement, and run IDA programs. Appendix 1.1 contains a brief description of each host organization and group targeted by the IDA programs.

CAPTC Program in Tulsa: The Experimental Site

The IDA program at the Community Action Project of Tulsa County (CAPTC) required that participants be employed (either full-time or part-time) and have an adjusted gross household income that did not exceed 150% of the federal poverty level in 1998. Only one applicant per household could participate. The IDA program matched participant dollars saved for homeownership (primary residence only), home repair, business start-up or expansion, post-secondary education or training, and retirement savings. Recruitment took place from October 1998 to December 1999 using a variety of recruitment strategies. Once potential participants were recruited and eligibility was assessed, individuals were randomly assigned to either the “treatment” (IDA program) or the control condition.

The CAPTC IDA program offered two different match-rate structures. For home purchases, participants’ savings were matched at \$2 for every participant dollar saved and for all other purposes the program matched \$1 for every participant dollar saved. Participants were required to deposit a minimum of \$10 per month in nine of every 12 months that their accounts were open. Matches were eligible up to \$750 per year over a three-year period.

Participants could make up to three withdrawals per year from their IDA for non-asset uses, but accompanying match dollars were forfeited on the withdrawn savings. Withdrawals for asset purchases could be made after participants’ accounts had been open for a minimum of six months and participants had completed all required financial education. Participants received a monthly IDA account statement from the financial institution where the IDA was held, and received a quarterly account statement from CAPTC showing both the savings deposited and the match dollars accrued.

Program staff provided other support to participants including monthly deposit reminder postcards to IDA participants and assistance and consultation by phone or in-person at the CAPTC office.

Financial education included money management and asset-specific training. All IDA participants were required to attend six two-hour money management classes over the course of

¹ We make a distinction between *saving*, a process of setting money aside, and *savings*, which is money accumulated by saving.

the three-year program and attend a seminar that offered specific information related to their asset goal. Money management classes included budgeting, credit and debt management, credit repair, financial planning, and saving. Asset-specific training included seminars on homeownership, business development, entry to post-secondary education, and retirement.

Research Methods: In-Depth Interviews

Multiple methods were used to evaluate implementation and outcomes of IDAs at the ADD sites in order to generate different perspectives and a triangulation of methodological assessments (Lincoln & Guba, 1985). At the experimental site in Tulsa, four research approaches were implemented: longitudinal survey interviews, savings tracking², cost analyses, and in-depth interviews. Survey data were collected in three waves from 1,103 respondents, including 537 IDA participants (treatment group), and 566 respondents in the control group between October 1998 and December 1999 (Abt Associates, 2004). Cost analyses were conducted (Schreiner, 2002, 2004). In 2001, in-depth interviews were conducted with 59 participants and 25 control group members who were selected randomly from IDA participants and controls in the survey interviews.

This report is based primarily on findings from the in-depth interviews. We derived research questions and hypotheses for the in-depth interview study from research on saving in low-income households (Page-Adams & Scanlon, 1995), from ADD research questions and hypotheses (Sherraden, 1997), and from case studies conducted with 16 low and high savers at other ADD sites in 1998 and 1999 (Sherraden, Moore, & Hong, 2000). See Figure 1.1.

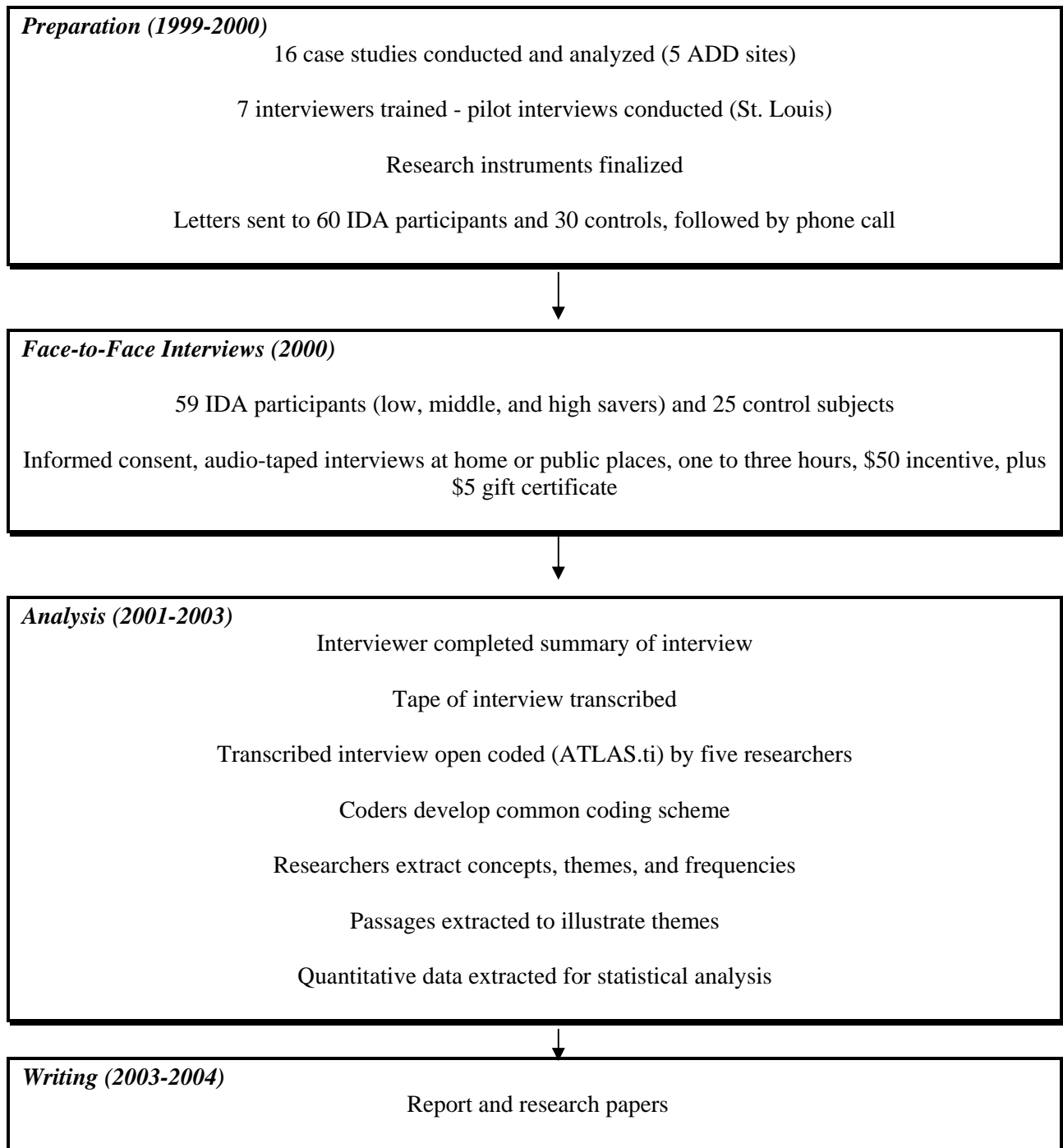
In-depth interviews with IDA participants were designed to gain an interpretive understanding of participants' views on IDA program design, processes and patterns of saving, and program and savings outcomes. Interviews with control respondents were designed to separate program effects from other effects.

Research Site

Participants and control subjects were aware that they would be participating in in-depth interviews and had agreed to engage in the study. CAPTC was chosen as the site for this study because it provided (1) ease of entry and smooth program operations, (2) participants willing to engage in research, and (3) key program components including financial education, a matched savings program, and a large number of participants within the framework of a treatment and control condition.

² The Management Information System for IDAs (MIS IDA) was used to track the savings of IDA participants, which included the number and amount of deposits and withdrawals from the IDA. Demographic data were updated annually and saving data monthly

Figure 1.1. In-Depth Interviews Research Procedures



Sample Selection

The sample of 59 IDA participants was selected from a stratified sample that included different levels of savers (low, middle, and high) as measured by average monthly deposits (AMD).³ All participants had been in the program at least six months to ensure that they had interfaced with the multiple program components. Participants were selected randomly within each of three strata that were determined based on median monthly savings for the whole group. “Low savers” had an AMD ranging from \$0 to \$27.14 (N =18). “Middle savers” had an AMD ranging from \$27.54 to \$65.00 (N =22). “High savers” had an AMD ranging from \$63.38 to \$512.86 (N =18). The median AMD of selected participants was \$54.21 and the mean was \$59.87. The sampling frame for IDA participants totaled 223 of participants who had an IDA account open for at least six months. The average AMD of the final sample of IDA participants was \$59.91; the median AMD of the final sample was \$54.21.

The gender and race of sampled participants is consistent with all participants in this IDA program. Ten random “replacements” were drawn for each category, so that a randomly selected participant could be assigned to match the gender and ethnicity of any respondent who was unable to be interviewed. Six control respondents and six IDA participants were replacements.

In addition, 30 people from the control group were randomly selected from the entire group of 566 controls at CAPTC. After reviewing the sample to match the population of controls in terms of gender and race, we conducted interviews with 25 controls.

In-depth Interview Staff and Training

In-depth interviews require skilled interviewers to guide wide-ranging and potentially unpredictable discussions with respondents. Each interviewer must understand the research questions, be able to engage the respondent, ask good questions, be a good listener, interpret answers, and respond to issues identified by respondents.

The two lead authors of this report coordinated the project and selected and trained the team of interviewers. Interviewers were selected on the basis of their ability to (1) communicate effectively, (2) understand the goals and objectives of the evaluation, (3) work in a team, and (4) follow through on all interviewer responsibilities. All interviewers were doctoral- or master's-level graduate students in social work with professional training in research and face-to-face interviewing. All participated in an additional four-hour training on research goals and objectives, research protocol, confidentiality and informed consent, respondent contact procedures, interviewing skills, record-keeping, pilot interviewing, and other responsibilities. Training in interviewing techniques included how to ask questions, clarify, explore, deal with digression, and obtain feedback. In addition, each conducted "mock" interviews with friends and colleagues.

³ This measure of average monthly deposits (AMD) is gross deposits into the IDA account.

Interview Protocol

The in-depth interview guide was initially tested with a volunteer and then with an IDA participant who was not in the CAPTC program. Each interviewer completed one pilot interview with either a participant or a control to test the interview process, schedule, and procedures (e.g., making appointments, using tape recorder). Discussion about process and content followed the pilot interview. The project leaders also listened to each taped interview and provided individual guidance to each interviewer. Pilot interviews were also used to refine the interview guide. For example, sequencing of some questions was changed and confusing questions were eliminated.

Interviews took place during two weeks in July 2000 in the Tulsa, Oklahoma, metropolitan area. Letters describing the content, expected length, confidentiality, and incentives were sent to all prospective participants approximately one month prior to the two-week period. One week after letters were sent, interviewers called respondents to schedule the interviews and further explain their purpose. Explaining the purpose of the interview helped to decrease respondents' trepidation and to increase their willingness to be interviewed. During the week of the scheduled interview, respondents were called to confirm the interview. Prior to interviewing respondents, interviewers attended orientation with CAPTC program staff where they learned more about the organization, its operations, the IDA program, and the social and economic environment in Tulsa.

Respondents were paid \$50 for their participation in the interview, an amount intended to cover their transportation costs and pay for their time. Coupons for a local, well-known ice cream parlor were also given to all interviewees (worth approximately \$5) as a token of appreciation. Most respondents left the interview with a positive impression and many said they were glad they had participated. No participants mentioned that they were unhappy.

A limitation to this data collection approach was that our timeline overlapped with Abt survey interviews conducted by telephone. Some respondents may have been confused or had a heightened awareness of some of the issues resulting from two contacts around the same time. Further, some control respondents had close friends who were IDA participants, which may have influenced their behaviors and attitudes.

Interview Format and Content

The in-depth interview design was based on earlier case study interviews with ADD participants in other sites (Sherraden, Moore, & Hong, 2000). These case studies had explored why and how participants joined an IDA program, how they viewed their experience, and their understanding of the impact that savings had on their lives and the lives of their families. Participants included average and intermittent/low IDA savers selected by program staff for their ability to articulate their experiences. Interviews were semi-structured and were usually conducted in one to two sessions, although three required additional follow-up visits. IDA participant interviews averaged between two and three hours, and interviews with control respondents lasted between one and one and a half hours. Interviews took place in a location chosen by the participant, usually their home or a public place such as a library meeting room.

The interview provided direction to respondents, but did not restrict their responses to discrete categories (Merton et al., 1990; Rubin & Rubin 1995). This open-ended quality allowed them to directly address a question or to bring up other issues that they thought were relevant. Each question was accompanied by several open-ended follow-up questions that helped respondents understand the questions better and recall their actions and thoughts.

The qualitative interviews were designed to build trust in order to elicit forthright responses about potentially sensitive topics (e.g., family issues, non-traditional or other income sources, and savings strategies). Apparent contradictions, inconsistencies, and gaps were explored with sensitivity by interviewers. Clarification was particularly important in this study of low-income and low-wealth families, whose savings attitudes and behaviors have not been studied extensively.

Interviews explored competing hypotheses about savings, including the importance of early experiences, income surplus, savings structures, savings education, and so forth. The in-depth interviews used a chronological approach, beginning with childhood. Specific topics included respondents' (and their families') economic well being, education, financial management (and banking experiences), and savings attitudes and behaviors beginning in childhood and extending to the present. Closed-ended questions at the end of the interview addressed household expenses. For IDA participants, the second half of the interview delved into their experiences with the IDA program, including access, savings patterns, sources of savings, planned uses, personnel, structures, expectations, evaluation, and perceived outcomes. For control respondents, these same questions were modified to refer to any savings mechanisms they had used.

Interviews were informal and relaxed. To facilitate trust and a relaxed conversation, interviewers memorized most of the interview guide, using only a short outline to help them remember topics. Respondents were encouraged to feel "in control" and to talk about topics in the way (and in the order) they preferred and to feel comfortable bringing up other issues. Only one interviewee declined to be taped, although some asked to stop the tape when they discussed sensitive material.

Data Analysis

Qualitative interviewing generates large amounts of data that must be systematically reduced during the analysis phase. We used ATLAS.ti, a qualitative software program, to help code and analyze the interview transcripts for salient themes. The use of this software facilitated data organization and analysis while maintaining the integrity of the original data and keeping it readily accessible (Lewis, 1998). Additionally, some qualitative data were enumerated, entered into a statistical program (SPSS), and assessed for descriptive and analytic purposes. Data collected by the Management Information System for IDAs (MIS IDA) and Abt survey data were used to select and describe the sample.⁴

⁴ Notes, tapes, and transcriptions were analyzed with case numbers only. All identifying information was stored in a separate locked cabinet, according to the human subjects protocol.

Safeguards against bias and validity problems included attention to descriptive, interpretive, theoretical, and evaluative validity, as well as generalizability (Maxwell 1992). Data collection and analysis procedures were carefully documented, and we used a rigorous and reproducible qualitative coding process. Using research questions and hypotheses, results from the case studies, and interview content, we generated an initial code list. We coded interviews line-by-line, examining each sentence to develop a list of codes and themes. By using open coding (Strauss & Corbin 1998), care was taken to base these codes on actual data, rather than common usage or accepted social science definitions. In this way, the original code list was transformed. Each step in coding included inter-rater reliability checks (MacQueen, et al., 1998) until codes and coding patterns were substantially similar (i.e., root codes were the same, although subcodes differed).

Five researchers coded all the interviews, including the two project leaders. Using the list of codes generated in the case study phase, the five researchers coded the same five interviews. Using ATLAS.ti to merge the interviews with all five analysts' coding, we discussed similarities and differences, modified the list (e.g., added new codes, eliminated and merged others), and agreed on coding conventions (e.g., including the interview question in coded portions). This was followed by four more waves of coding (one was done by all four coders, three by pairs of coders) and checking until all coders were in substantial agreement on coding categories. In a final step, one analyst read through all the interviews and cleaned the coding, merging duplicative codes and making sure that conventions were followed throughout the interviews.

Third, we extracted families of codes that collectively addressed key questions and concepts. Five researchers reviewed the final coded file. These researchers included the two project leaders, an interviewer, a CSD staff member intimately familiar with program operations, and a research assistant. Working from a report outline, we extracted data concerning a particular concept or question. These were exported into a word processing program and reviewed for major categories and ideas. We constructed matrices divided into the major substantive or conceptual categories by respondent case number (Miles & Huberman, 1994). When code families generated too much data to manage effectively, researchers reduced the size of code families (numbers of variables) and started the process over.

Depending on several factors – including the relevance of questions, depth and breadth of interviewer coverage, respondents' interest, and thoroughness of coding – matrices varied in their comprehensiveness. When all the data were extracted and drawn into the tables, word searches on certain key concepts were conducted to pick up additional data that may have been missed in coding.

Researchers used the matrices to write this report. Thus, although general categories were developed prior to the interviews, most of the concepts and ideas that are presented here were generated in analysis.

In addition to the coding process described above, we created profiles of each respondent, organized by research questions and key demographic variables. Initial profiles written at the time of the interviews were verified and further developed by another researcher who listened to

tapes, read the transcripts of each respondent, and reviewed Abt survey and MIS IDA data. Reports from MIS IDA on participant characteristics were used to verify treatment group information as well as to provide a quick reference of information for interviewers. By combining the profiles with interview coding, analysis revealed themes and patterns that occurred across different interviews, while at the same time provided a way to check developing codes and categories against the coherence of respondent's actual life stories and experiences. In this way, emerging patterns helped build ideas and theory. The analysis compared and contrasted empirical data and developing explanations.

In writing the report, we used some conceptual frameworks developed earlier in ADD when in-depth interview data largely corresponded to and reflected respondents' experiences. For example, we used concepts discussed in Beverly, McBride, & Schreiner (2003) to organize the description of savings strategies among respondents (chapter 5). This conceptual framework proved to be a useful heuristic device for the analysis of in-depth interview data. As a result, this report uses both inductive and deductive approaches in depicting the IDA program and the saving process. Throughout, analysts remained open to cases that did not fit these conceptualizations. Further, in-depth interview data highlight particular nuances or additional aspects of this framework. Analysis of all other aspects was more inductive, proceeding from open-ended questions regarding the respondents' histories and perceptions.

Organization of the Report

Following this introductory chapter, chapter two introduces the 59 participants and 25 control respondents who took part in in-depth interviews. It illustrates the obstacles faced by working low-income families in obtaining quality education and credentials that lead to good jobs with benefits. The chapter further illustrates the difficulties that low-income families encounter as they attempt to provide a solid financial footing for their children and for themselves in retirement. Respondents are identified as IDA participants (P) and control respondents (C) throughout the report.

Chapter three details the challenges of making ends meet on a low income and the way families manage their household finances. With high expenses and low incomes, families adopt a perspective that they will make it through hard times with faith and hard work. They try to be economical and cut back on unnecessary expenses, but they also borrow, use their savings, and earn more when they must. Nonetheless, many accumulate problem debt that absorbs their resources and energy. In such circumstances, building a good credit record is difficult for many families.

Chapter four introduces the Individual Development Account program at CAPTC as viewed by participants. They discuss what attracted them to the IDA program, how they negotiated entry, and how the program structured their participation and provided information and assistance to help them save. They offer their perspectives on key components of the IDA program.

Chapter five describes how IDA participants and control respondents think about their savings goals. They discuss what their savings goals were when they were children and young adults. Early goals contrast with later goals, both within and outside of the IDA program.

Chapter six follows with analysis of how respondents think about saving and savings. It chronicles their efforts to save, including patterns, sources, and strategies for saving throughout their lifetimes, and contrasts the experiences of IDA participants with those of control respondents.

Chapter seven examines evidence in the interviews for potential effects of saving and savings, including the effects on children. Participants discuss cognitive and psychological effects, as well as the economic effects of saving, although the latter are more speculative because of the short time horizon of the study.

Chapter eight is an overview of what IDA program participants said about the program design and implementation. It addresses participant satisfaction with the program and contrasts IDA programs with more traditional social assistance programs.

Finally, chapter nine concludes with observations about saving and savings programs in low-income households. Based on participant and control respondent observations and thoughts, we propose a conceptual model for how families save and the possible effects of successful saving. The model includes the influence of a structured matched savings program, like an IDA, in the saving process.

2. The Respondents

This chapter introduces the IDA participants and control respondents who participated in the in-depth interviews. The first section describes household composition, educational attainment, income, and employment of the respondents' parents. The second section addresses these issues among IDA participants and control respondents. Data for this chapter are derived from in-depth interviews and from Abt survey interviews conducted in 1998/1999 (Abt, 2004). See Appendices 2.1 and 2.2 for details.

Table 2.1 presents an overview of demographic characteristics for the sample of 59 IDA participants and 25 control respondents at the start of the IDA program.

Table 2.1 Respondent Demographic Characteristics (1998/1999)			
	IDA Participants N = 59 (%)	Control Respondents N = 25 (%)	Total N = 84 (%)
Gender			
Female	43 (72.9)	21 (84.0)	64 (76.2)
Male	16 (27.1)	4 (16.0)	20 (23.8)
Age			
Under 20	1 (1.7)	0 (0.0)	1 (1.2)
20-29	8 (13.6)	7 (28.0)	15 (17.9)
30-39	14 (23.7)	11 (44.0)	25 (29.8)
40-49	27 (45.8)	1 (4.0)	28 (33.3)
50-59	5 (8.5)	4 (16.0)	9 (10.7)
60 +	4 (6.8)	2 (8.0)	6 (7.1)
Race / Ethnicity			
African American	21 (35.6)	9 (36.0)	30 (35.7)
White/Caucasian	31 (52.5)	12 (48.0)	43 (51.2)
Hispanic/Latino	2 (3.4)	2 (8.0)	4 (4.8)
Asian American	2 (3.4)	0 (0.0)	2 (2.4)
Native American	2 (3.4)	1 (4.0)	3 (3.6)
Other	1 (1.7)	1 (4.0)	2 (2.4)
Marital status			
Never married	10 (16.9)	11 (44.0)	21 (25.0)
Married	24 (40.7)	10 (40.0)	34 (40.5)
Divorced/Separated	19 (32.2)	4 (16.0)	23 (27.4)
Widowed	6 (10.2)	0 (0.0)	6 (7.1)

Source: Abt Associates

Women outnumbered men, especially in the control group. Most participants were middle age, although IDA participants tended to be older than control respondents. Six respondents were over the age of 60. Regarding race and ethnicity, the largest groups identified themselves as

White/Caucasian or Black/African American. Smaller numbers identified as Hispanic/Latino/Latina, Asian, or Native American. There were seven immigrants from the Latin America and Caribbean, Africa, and Asia. A significant proportion of respondents had never married, but the majority was married, separated, or divorced, and a few were widowed. In interviews, at least 52 reported that they had either gone through divorce or marital separation at some point in their adult life. As a result, some lived in blended families with children of two previous marriages.

Respondents' Families of Origin

Almost half (36) talked about some kind of significant family stress during their childhoods, such as divorce/separation, death of a parent, a remarriage, living with a grandparent, or foster care. While slightly more than half of the respondents grew up in a household with married parents (34), or with a remarried parent (7), almost as many (30) said that they were raised in single parent (mostly female-headed) households. See Table 2.2 for further details.

Being raised in single parent households—some with little contact with their fathers—may shed light on early economic hardship. Several respondents raised in single-parent homes described life as a struggle. As Bethany (C) explained, "My mom was a single parent, raising six kids We struggled a lot." Janice (P) recounted that after her parents' divorce, "Dad didn't always send child support and we were always, you know, low on funds. . . . There was [a] time that my mother had to send my sister and I to my grandparent's house in Arkansas for the summer because she literally could not afford to feed us. She could afford to pay the bills, but nothing else, including groceries."

LaVonne – A rural childhood in the South

LaVonne and her five brothers and sisters were raised by their mother in the 1950s and '60s. Her father was taken to court and forced to pay a small amount in child support, but he was never consistent, and her mother gave up expecting it and did the best she could to support the family. There were not many career opportunities open to an African American woman with an 8th grade education, but LaVonne's mother managed by cleaning houses and picking cotton. All the children helped their mother by joining her in the fields during the summer. Despite her mother's struggle, LaVonne did not realize they were poor. They lived in a stable, all-Black neighborhood where there were many single mothers and the families looked out for one another.

There were also psychological costs of living in a single-parent home. As Michelle (P) described her upbringing, she said her mother was always working, making it difficult to have a positive relationship:

People who haven't been raised in a single-parent home don't realize the sacrifice you make as a parent and the sacrifices that are required of your children—that they don't even realize. I pretty much had no relationship with my mom until I was 18 . . . because [of] her always working and us always being with baby-sitters.

Contributing to their economic struggles, many respondents grew up in large families with lots of siblings. Twelve respondents reported that they grew up in families with at least nine children, including eight with 10 children or more. Several of the families were "blended" families that included children from two or more past marriages. At least 27 families had more than three children, including 14 with four children, six with five children, three with six children, and four with seven children. Large families meant some mothers stayed at home full time caring for children, and siblings were involved in childrearing (Table 2.2).

Table 2.2 Family of Origin Marital Status and Size	
Marital Status of Parents	Number (%) N = 84
Married	34 (40.5)
Remarried	7 (8.3)
Divorced	20 (23.8)
Never Married	5 (6.0)
Separated	3 (3.6)
Widowed	2 (2.4)
Grandparents/Foster Parents	5 (6.0)
Unknown	8 (9.5)
Family Size	
Three or fewer children	45 (53.6)
Four children	14 (16.7)
Five children	6 (7.1)
Six children	3 (3.6)
Seven children	4 (4.8)
Eight or more children	12 (14.3)

Source: In-depth interviews

Family of Origin Education

The majority of respondents' parents did not achieve a high level of formal education. Although 50 respondents had at least one parent who completed high school, only 11 had parents who earned a college degree or higher. At least one-quarter of respondents had parents who did not complete high school and in a few cases, parents did not reach high school at all (Table 2.3).

Table 2.3 Family of Origin Educational Attainment		
Educational Level	Mothers N = 84 (%)	Fathers N = 84 (%)
Less than HS	23 (27.4)	21 (25.0)
GED only	1 (1.2)	2 (2.4)
High School degree	20 (23.8)	14 (16.7)
GED or HS plus technical training	4 (4.8)	9 (10.7)
Some college	11 (13.1)	9 (10.7)
Associate's degree	2 (2.4)	0 (0.0)
Four-year degree	5 (6.0)	4 (4.8)
More than four-year degree	1 (1.2)	1 (1.2)
Unknown	18 (21.4)	25 (29.8)

Source: In-depth interviews

Low educational attainment was a result of many factors. In some cases, family crises such as family illness or death forced them to drop out of school. Elizabeth (C) described her mother's situation: "She had very ill parents and [her father] died while she was young, so she became the sole provider and overseer of her brothers and sisters. So she did not even have, well, barely a grade school education." In four other cases, one or both parents quit school because of an unplanned pregnancy. In most cases, respondents' parents came of age during a time when a high school or college education was not as necessary as it is today. Many parents grew up in rural areas where access to education may not have been universal, and traditional farming or manufacturing jobs could provide for a family.

Family of Origin Employment

Without much formal education, respondents said their parents had to work very hard during their lifetimes. As Jackie (P) said, her "mother wasn't educated—she barely had an elementary level education, so she tried to survive by being very industrious." According to the in-depth interviews, respondents' mothers were primarily engaged in service jobs, professional or semiprofessional, and self-employment (Table 2.4). Service jobs (21) were typically low-paid jobs such as waitress, bartender, beautician, bank teller, retail clerk, housekeeping, cafeteria cook, school bus driver, and laundromat attendant. Respondents' mothers also held professional and semiprofessional positions (18) such as bookkeeper, interior decorator, social worker, and teacher. Self-employment (15) mostly was low-paid, and included domestic work, baking, crafts, farming. Some African American respondents said their mothers were forced into self-employment, such as domestic day work, because they could not obtain jobs in the labor market. A few mothers (6) worked in agricultural and labor positions. Fifteen mothers stayed at home to care for children.

Type of Employment	Mother N = 84 (%)	Father N = 84 (%)
Self-employment	15 (17.9)	13 (15.5)
Service jobs	21 (25.0)	9 (10.7)
Semiprofessional	9 (10.7)	8 (9.5)
Homemaker	15 (17.9)	0 (0.0)
Professional	9 (10.7)	5 (6.0)
Agriculture/labor	4 (4.7)	10 (11.9)
Skilled labor	0 (0.0)	13 (15.5)
Military	0 (0.0)	7 (8.3)
Manufacturing	2 (2.3)	3 (3.6)
Unknown	9 (10.7)	16 (19.0)

Source: In-depth interviews

Respondents' fathers were primarily engaged in self-employment (13), skilled labor (13), and agriculture/labor (10). Self-employment included landscaping, running a gas station, selling real estate, office cleaning, construction and contracting, and driving taxis. Another eight were engaged in self-employment on a part-time or interim basis, including landscaping, handyman, and property rental businesses. Skilled labor included construction, plumbing, machinist, and oil

rig jobs. Thirteen fathers held professional or semiprofessional positions such as policemen, missionaries, teachers, and engineers.

Low-paid and multiple jobs. Generally, the respondents described their parents' jobs as low paying. As a result, many had to take on more than one job, especially those who were supporting larger families. Kathleen (C) described her parents' struggle for survival and how they managed to care for three children by working several jobs:

My mother was a waitress. My father worked three jobs . . . it took a lot of struggle . . . With three kids . . . But we were never with a babysitter when they went to work or anything like that . . . Somebody was with us all the time. My mother or my father was always with us. Always. They both worked a lot, but one of them was always home when the other one was working.

Often these jobs were quite physically strenuous. Janice (P) described her mother's work:

I think she had one full-time job and two part-time jobs. She worked full-time at a meat packing plant and then she worked part-time in the cafeteria at me and my sister's school, and part-time cleaning houses.

Many families used odd jobs to supplement regular income. Stephanie (C) said that following her parents' divorce, her mother "worked little odds and ends jobs like donut shops." in order to take care of the family during the time before she remarried. Terry (P) remembered her mother working "a bunch of odd jobs . . . working [in] a laundromat and department stores and whatever she could do." Sylvia (P) described her father's side jobs:

He worked just regular hours at the one job and then he'd do side jobs, you know, cut wood; he had to help cut wood to make extra money . . . mowed people's lawns and he cleaned the school at night . . . I just remember him working all the time.

Despite their parents' hard work, these odd jobs were typically short-term, low-paid, and did not lead to more lucrative employment that would help the families get ahead financially. Even regular employment was uncertain for many families. Respondents described employment that was often short-term with frequent layoffs. As Jennifer (P) said: "My father and my mother both worked in a factory and so, you know, kind of just always looking for a different job. And they weren't long-term, they were, you know, laid-off a lot."

Some parents also turned to public assistance to supplement low-paying jobs or spells of unemployment. For example, Theresa (P) said that following her parents' divorce, her mother depended on welfare "and a few odd jobs here and there." Nonetheless, interviews identified only two families who relied on long-term public assistance. Natalie (P) described her mother as "an alcoholic," who never worked and depended on welfare, public housing, and child support, and Jennifer (P) said her mother spent "30 years . . . not working and playing the [welfare] system."

A smaller group of respondents described full-time and more stable employment. Elizabeth (C) remembered that things for her family improved when her father obtained a good job: "For years, I guess my father did odd jobs and then he got to a point where I guess he worked his self up and he got this job as a merchant seaman traveling on ships. They would go out all over the country. And then he was able to make more money." Similarly, Jocelyn (P) praised her parents for working hard and finally building a business that was more stable:

I think my dad—I think he probably had an eighth grade education, if even that. And my mom probably about the same. He never went back to finish high school or took any classes, but they are both very smart. Very, very intelligent people. And my dad, hardworking, very hardworking, has a lot of drive. Well, he went from, what I remember him driving a dump truck and we really didn't have a lot, although I didn't really know that at the time. But now I know that. But he had gone from that, to now he has his own businesses.

Some of the most stable employment for respondents' fathers was in the airline and military-related industries. For example, Pat's (P) father worked for an aircraft company for 32 years. Anne's (C) father worked for a commercial airline for 30 years, and Janice's (P) father "spent a lot of years in the Navy, and then he went on to build and install and repair x-ray machines." Richard's father (P) spent his career in the military, and Natalie's (P) father was a "career Airforce" man for 20 years.

Although a few respondents grew up in households with stable employment, the majority was raised in low-income households. Low education levels and large or single-parent families often made it difficult to attain significant assets or achieve financial success.

Anne – Early socioeconomic advantage

Anne was one of the few people in the study who grew up in a middle class, two parent household. Her father was an analyst for a major airline company, and her mother operated her own hairdressing business. Her parents still live in the house they built when Anne was a child. Looking back now, she realizes that they probably had less money than it seemed, but she and her sisters never wanted for anything. She grew up in a nice neighborhood and did not "realize there was such a thing as poverty." Her father encouraged his children to save, opening savings accounts for them in high school. He stressed the importance of having at least \$5,000 in savings for emergencies.

IDA Participants and Control Respondents

Respondents' households were much smaller than in their families of origin. Family size ranged from one to seven, but most households were four or fewer (Table 2.5). Only 15 households had between five and seven members. While 19 families of origin had more than five children, none of the respondents did. Seventeen households had no children, 44 households had one or two children, and 23 households had three to five children.

Table 2.5 Respondent Household Composition			
	IDA Participants N = 59 (%)	Control Respondents N = 25 (%)	Total N = 84 (%)
Total number in household			
One	11 (18.6)	1 (4.0)	12 (14.3)
Two	9 (15.3)	7 (28.0)	16 (19.0)
Three	17 (28.8)	5 (20.0)	22 (26.2)
Four	10 (16.9)	9 (36.0)	19 (22.6)
Five	6 (10.2)	1 (4.0)	7 (8.3)
Six	6 (10.2)	1 (4.0)	7 (8.3)
Seven	0 (0.0)	1 (4.0)	1 (1.2)
Number of children in household			
None	15 (25.4)	2 (8.0)	17 (20.2)
One	14 (23.7)	8 (32.0)	22 (26.2)
Two	14 (23.7)	8 (32.0)	22 (26.2)
Three	11 (18.6)	5 (20.0)	16 (19.0)
Four	3 (5.1)	2 (8.0)	5 (6.0)
Five	2 (3.4)	0 (0.0)	2 (2.4)

Source: Abt Associates (2004).

Respondents' Education

Although respondents attained more formal schooling than their parents, the levels remained relatively low (Table 2.6). According to survey data compiled by Abt Associates (2004), seven (12%) had less than a high school degree. Most had attended some college or post-secondary classes, but only one-third of respondents completed post-secondary degrees.

Table 2.6. Respondent Educational Attainment			
	IDA Participants N = 59 (%)	Control Respondents N = 25 (%)	Total N = 84 (%)
Grade, middle, junior high	3 (5.1)	0 (0.0)	3 (3.6)
Some high school	1 (1.7)	3 (12.0)	4 (4.8)
Graduated high school or GED	13 (22.0)	2 (8.0)	15 (17.9)
Some college	22 (37.3)	11 (44.0)	33 (39.3)
Graduated two-year college	9 (15.3)	2 (8.0)	11 (13.1)
Graduated four-year college	6 (10.2)	4 (16.0)	10 (11.9)
Some graduate school	4 (6.8)	2 (8.0)	6 (7.1)
Finished graduate school	1 (1.7)	1 (4.0)	2 (2.4)

Source: Abt Associates (2004).

Respondents talked about the challenges of completing high school, two-year, and four-year degrees. Furthermore, in-depth interviews suggest that data on completion of degrees do not tell

the whole story. A few respondents may not have actually graduated from high school, and more may have earned their high school or GED degrees plus technical training rather than receiving Associates' degrees. We found that much of the post-secondary education included training courses of various kinds, vocational certificates, military training, or a few courses in a community, secretarial, or business college. Moreover, although data in Table 2.6 suggest that relatively few respondents dropped out of school prior to high school graduation, interviews indicate higher dropout rates. At least 22 reported quitting regular high school and completing a GED later on. Some then continued schooling beyond the GED.

Why did respondents quit school before high school graduation? Reasons were similar to those given for their parents and included early marriage and pregnancy as well as family illnesses. At least five stopped school because they experienced an unplanned pregnancy, such as Janice (P), who quit school when she was 15: "I was pregnant and at that time they did not have, they did not let girls in school when they were pregnant unless it was like, a school for pregnant girls and I didn't want to do that." Kathleen (C) quit school to help care for her sister's baby who had been diagnosed with a serious chronic illness. Recently divorced, the sister had no one else to help her, and Kathleen felt she needed to take care of her niece.

Other respondents quit school because they needed to earn money to support themselves or their family. Jack (C), age 62, dropped out of high school to help his parents support the large family:

My parents, they used to do a lot of field work . . . We moved to California during the '40s, during the Depression when things were really hard out there. But we managed to survive . . . we used to follow the migrational crop in the summertime. And then in those days, I dropped out of school at the age of 16. You were allowed to do that in order to help your parents out. And over the years, we made it. I come from a big family. There are five brothers and three sisters, and we were all involved in whatever had to be done to take care of the family.

While Jack (C) is from an older generation where college was only for the well off, the need for earned income also exerted a pull on younger respondents. Trish (C), age 30, explained that "I quit high school and went to work . . . I had two part-time jobs when I was in high school. And then when I quit that I had two full-time jobs." Becky (P), age 28, started working at age 14 at night and attending high school during the afternoon.

But the pull of work earnings was often accompanied by the push from a tenuous and conflicted relationship with school. Claire (P), for example, dropped out of high school because she had missed so much school: "I went to the 12th grade, the last semester and I quit because I missed too many days." At least five respondents talked about getting into trouble in school and dropping out or getting expelled from school.

Many expressed regret at not finishing high school or continuing on to complete a higher degree. For example, Jocelyn (P) said, "I'd quit school like in the 10th grade. I wished that I'd graduated but I had not." She went on to say, "I don't know why I quit school. I guess I just got to where I just missed so much school I'd got to where I just got further behind and then I decided just to go to work and . . . I thought I was too smart to go to school, I guess." Jocelyn earned her GED when she was 32-years-old.

Post-secondary Education and College

Seventy-four percent of respondents attended at least some college classes. This included many respondents who had dropped out of high school but returned later to complete a GED and continue their education. Jill, for example, who dropped out of school because she was pregnant, eventually returned for an Associate's Degree. Laura worked two jobs during the day and went to school at night to get a business certificate. After getting her GED, Heidi (P) "got a good job and moved over here to Tulsa, and went to night school six hours a week, [with] two jobs." At the time of the interview, she was working on her Associate's Degree.

It took work, determination, and family support to finish post-secondary degrees. Respondents whose parents had a higher degree were more likely to also achieve a higher degree, probably because levels of resources in these households were higher and there was more support and knowledge about pursuing a postsecondary degree.

For those respondents who were able to attend college, several reported receiving assistance from parents or relatives. For example, Grace's (P) parents were eager for Grace to continue schooling and helped pay off accrued expenses:

They just actually help me pay off my school. And that is the first time they have been able to help me in a few years. That's why I am going back, is because I owed like \$1,500 toward school, before I could go back, you know. And so my mom really wants me to be back in school so she paid it off for me finally.

Kimberly (C) and her husband were able to complete two-year and one-year educational programs, respectively, because they inherited an educational trust fund from his grandmother, and received additional financial support from his father.

And one thing that was neat for my husband, when he came down here to go to school, his grandmother had set up a fund. She had passed away. She set up a fund for any of her grandchildren that wanted to go to school, further their education. So he applied to get that and sure enough, he got the whole thing covered.

The reasons why respondents did not seek or finish a post-secondary degree were similar to reasons why respondents did not finish high school degrees, namely lack of money, pregnancy and other health and family issues, and lack of interest. Shondra (P), like several others, said that she chose work over a college education:

I graduated high school. And I went to college for about a year and a half, but I didn't graduate. I ended up, you know, dropping out and, you know, just to keep working. Because, I always had a full-time job. And you know, starting at that point, you know, when you get out on your own, and you got to make some choices, you know, as far as, whether or not I'm going to stay working, you know, or am I going to work or go to school, you know? It was a hard decision to make, you know, because, I really would like to have stayed in school, but at that time I had, you know, bills, and so I had to make a

choice, you know. And that was my choice, to actually go ahead on and stop school, you know, and continue to work full-time.

Lack of money to pay for college made it difficult for others to seek or finish a post-secondary degree. As Camille (C) recounted: “As far as getting out of high school and going to college—that was never a conversation. It was never even discussed. When we were growing up, it was just like ‘Well, now we’re too poor for you guys to go to college.’ So it was never an issue with us.”

Others did not complete their post-secondary degrees because they got pregnant or were married. LaVonne (P) explained that she did not continue school after graduating from high school because she decided to get married. Denise (P) became pregnant during her senior year in high school, and although she was able to finish high school, she decided against college: “I went to 12th grade and graduated. My senior year I was pregnant with my first child. So I didn’t go to college whatsoever.”

Sonya (P) tried to return to school after having a baby, but had to drop out for financial reasons:

But then after I had my daughter I tried to go to school, to college. . . I went to [school] and I did that for about four months. And then finances and everything just kind of buckled under me. And so, things just didn’t work out anymore, so I quit, and I didn’t really try any other schools after that.

Some did not complete college because of family responsibilities. Sam’s (P) stepfather had cancer so he had to quit school after a “year-and-a-half of college . . . to help with the family business.” Similarly, Shanta (P) stopped her education after high school to help her family:

Myself, I went to school, 12th grade and I, my dad was very sick at that time and I had to kind of help out in that situation of home ‘cause it was just my mom, you know doing the cooking and cleaning and I was just doing the gardening and so I helped her for a while at home after I, you know got my high school diploma. After that I started to work for like a relative-type thing doing house cleaning.”

Some also found college difficult and boring, including Anne (C), who, after receiving a legal secretary degree, quit school because she was “tired” of it, and Grace (P), who said she “didn’t like” school. Others said they preferred to work rather than study. Jake (C) explained: “I graduated from high school and took a little bit of college and decided that wasn’t what I wanted to do.” Gina (P) completed her GED, but was unable to finish a training course that would prepare her for a better job. “I got my GED . . . I’ve went back to school three or four different times, but something always stands in my way. I got nine months of accounting that there’s no record of because I didn’t finish.”

Among the seven respondents who are immigrants, some were unable to complete their schooling because of war and other disruption in their home country. Jackie (P), for example, cut short her education when she fled war in her country: “I did not complete college in my country, I stopped in my third year. Well, the war came in my country, and I came here to the United States.” However, she had returned to school by the time of our interview. Three immigrants

received higher degrees in their countries of origin but these were not recognized in the United States.

Current educational activities. Several respondents were in school at the time of the interview, hoping to complete a degree, and several others planned to return to school (Table 2.7). According to Abt survey data, of the 84 respondents, 19 had taken at least one non-degree course during the year of the interview. Thirty-three respondents (including half of the controls) had taken at least one course towards a degree, and 23 had earned some kind of certificate associated with job training during that same time period.

Table 2.7 Educational Activities in Current Year (2000)			
	IDA Participants N = 59 (%)	Control Respondents N = 25 (%)	Total N = 84 (%)
Taken non-degree course	13 (22.0)	6 (24.0)	19 (22.6)
Taken course towards degree	21 (35.0)	12 (48.0)	33 (39.2)
Finished job training with certificate	14 (23.7)	9 (36.0)	23 (27.3)
Missing	6 (8.0)	1 (4.0)	7 (8.3)

Source: Abt Associates (2004).

Jackie (P), who had already returned for a GED and an Associates Degree, was studying to be a registered nurse at the time of the interview. Among those with at least a four-year college degree, two were planning on continuing their education, and another was already pursuing a Master’s degree.

The biggest motivation to return to school was to get a higher-paying or more satisfying job. Jennifer (P) said she had returned to school because she wanted to get a job that would offer more independence: “You know, I want to get through college. I’m, you know, seeking out a bachelor’s degree in computer programming And so, hopefully I’ll have a job of my own that I can stand on my own two feet.” Mark (P) said he went back to school because he wanted to be a teacher: “I was tired of working in retail. And I obviously was never going to make more than \$24,000 a year anyway. And so I thought if I’m going to be poor my whole life, I at least want to do something I like, you know?”

Carol – Overcoming early obstacles

Despite a troubled past, Carol is a single mom with concrete goals for her and her son's future. A victim of sexual abuse by her father, Carol ran away from home as a teen. For the next 15 years, she lived on the streets, became addicted to drugs, often prostituting for drug money. Eventually, she came to the realization that she was hurting herself more than her father did, and she gradually weaned herself off drugs and away from the party scene. As Carol was attempting to clean up her life, she worked as an AmeriCorps volunteer for two years and became increasingly interested in social services. She continued her work with youth in her community, earned an Associate's degree, and is continuing her studies for a Bachelor's degree. Although her limited monthly income is derived from TANF and financial aid, she manages to provide for her young son and even save for his future education.

Respondents' Early Employment

It was common for respondents to begin working at a young age. Some helped to pay household bills, while others helped pay for school items and extra expenses, such as clothes and personal items. Some worked to have greater control over their lives. Sylvia, for example, began working at age 12 when she moved in with her father and stepmother after her mother's death. Earning her own money gave her a sense of independence and the ability to make her own purchases without being under the control of her stepmother. Others worked to be able in order to save some money future purchases and expenses, and some respondents worked in their parents' business as children.

Typically, very early employment was informal and included activities such as collecting refundable bottles and babysitting, cleaning houses, and doing yard work. Jake (C), for example, collected pop bottles and used the earnings for candy and recreation:

Used to be you had to put a deposit when you bought a soda pop. You got a returnable bottle. And some bottles were worth 5 cents; some bottles were worth 18 cents. The big quart bottles were 18 cents—if you could steal one from Grandma . . . they were usually along the old street roads over in a little town I spent when I was a kid. You turn them into the grocer and they give you money and then you buy candy or go to skating rink.

At least seven respondents started working at age 14 or younger, sometimes lying about their age to get a job. Roseatta (P) was raised in foster homes in the agricultural South and said she had “worked all her life,” going “to school in the morning . . . pick[ing] cotton in the evening.” Terry (P), the eldest of three girls raised by a single mother, reported working since age 14 in restaurants, supermarkets, and nursing homes, “trying to help my family out as much as I could.” Becky (P) also started working at age 14: “I had a fake ID. I went and got it so I can get a job. . . I worked at a grocery store.” Maxine (C) also lied about her age in order to get employment: “I went to Western Sizzlin’ . . . it’s like a steakhouse restaurant. And I applied for a job and you had to be 15. So I lied and said that I was 15. And I got a job.”

By age 16, at least 26 respondents said they started working, and many shifted from informal to formal employment, including grocery store bagger, agricultural labor, and delivering newspapers. Most was low-skilled and low-paying employment, including fast food and other restaurants as waitresses (14); grocery and discount stores such as Sam’s Club, Wal-Mart and K-Mart as retail clerks and stockers (11); and manual labor (10). Richard (P) joined the military after high school and another joined AmeriCorps following high school.

Respondents’ Current Employment

At the time of program enrollment, survey data suggests that the largest numbers of respondents are employed in service occupations, followed closely by administrative support jobs, such as clerk, receptionist, and computer operator (Table 2.8). Larger proportions of IDA participants were employed in these two occupational areas than were members of the control group, who were mostly concentrated in teaching and social services fields (Abt Associates, 2004).

Table 2.8. Respondent Occupations (1998/1999)			
	IDA Participants N = 59 (%)	Control Respondents N = 25 (%)	Total N = 84 (%)
Service	13 (22.0)	3 (12.0)	16 (19.1)
Administrative support	11 (18.6)	1 (4.0)	12 (14.3)
Teachers and aides	4 (6.8)	4 (16.0)	8 (9.5)
Sales	4 (6.8)	2 (8.0)	6 (7.1)
Social and human services	2 (3.4)	4 (16.0)	6 (7.1)
Construction	4 (6.8)	1 (4.0)	5 (6.0)
Technicians	5 (8.5)	0 (0.0)	5 (6.0)
Administrative and managerial	2 (3.4)	2 (8.0)	4 (4.8)
Child and elder care	3 (5.1)	0 (0.0)	3 (3.6)
Nurses and aides	2 (3.4)	1 (4.0)	3 (3.6)
Machine operators	2 (3.4)	0 (0.0)	2 (2.4)
Security	2 (3.4)	0 (0.0)	2 (2.4)
Mechanics	1 (1.7)	0 (0.0)	1 (1.2)
Transportation	0 (0.0)	1 (4.0)	1 (1.2)
Other	4 (6.8)	6 (24.0)	10 (11.9)

Source: Abt Associates (2004)

In in-depth interviews, nine respondents discussed self-employment in businesses like hauling, real estate, rental properties, day care, hair and nails, engraving, and domestic work. Five respondents held other jobs, but also engaged in self-employment, such as yard work, flea markets, and garage sales. Four were full time students and one was a full time homemaker.

As a requirement of the IDA program, all respondents had to be employed. At the time of the in-depth interview, however, at least six respondents said they were unemployed. According to Abt data, three respondents were currently not working due to illness or disability, and 12 of the respondents had a limiting health condition that restricted the type or amount of work they could do. Unemployment created anxiety among some respondents, especially about the future. As

Claire (P) said, “It is just the part of being without work and not knowing where my future is going is the hardest part.”

Like their parents, respondents' jobs were typically low paying and frequently did not offer employment benefits. Several said they worked extra hours and held multiple jobs to supplement their earnings. Lucia said (P), “I have been a nanny, I’ve been a senior companion, I’ve been a cook and I’ve been cleaning . . . I think most of what I do [now] is garage sale just about every week.” As Ida (C) pointed out, “normally if I do work two jobs it's just because I don't make a lot on my first job. It just kinda falls into place.”

Richard (P) had a full-time sales job, but also did some reselling at a flea market to bring in a little extra money:

Sometimes on the weekend what I have done is some vending, like at flea markets . . . on the weekends you can rent a space at a flea market or something and just sell odds and ends. Like I may buy some goods from a wholesale company, just little odds and ends, and then you go to a flea market and you sell them . . . So sometimes I may do that—once a month or so or something like that.

Several respondents found it difficult to work and also care for their children. Some settled on part-time employment in an effort to balance family demands and work. Jackie (P) said she could only work part-time because she had to care for her child who was ill. Jennifer (P) also worked part-time at a fast food place and “pulled in a few dollars” because she was also going to school and caring for five children. Geraldine (P) had decided to open a business “so I could stay home with my son and my other two children”, and others had quit or were planning to quit their job because it did not allow them enough time with their children.

There were other reasons for working part-time. Lois (P), who was disabled, could only work “a few hours a day” because “they allow [you] to work so much, not much, before they start snatching your benefits.” Others preferred to work full-time, but their hours had been involuntarily cut back.

Like their parents, a small group of respondents had stable employment, including some with jobs that held promise for the future. For example, Jessie (P) had a good job with benefits in a medical center, Terry (P) worked for a law firm, and Linda (P) worked at a computer company. Richard (P) reported working for the same company for 18 years, and Steven (P) went “from dishwasher to general manager to opening restaurants for people,” and his current employer was helping pay for a degree in business management. Roxanne (P) had been a registered nurse for 18 years. Jill (P), who worked full-time, also did some babysitting, which she was planning to turn into a small childcare business eventually. She hoped to be able to take advantage of small business tax advantages and “deduct my mileage and my gas and things for my van.”

However, most of the respondents had unstable employment histories, typically in the service sector, where they moved from job to job because of low pay, layoffs, or lack of opportunity for advancement. Even though employment discrimination was not specifically covered in the interview, at least five respondents brought it up as an important factor in their employment

histories. Camille (C) pointed out that she had encountered more problems with racial discrimination in Tulsa than she had in California: “There will always be race-related issues as long as we have different color of skin. But California offered opportunities for Blacks, whereas . . . Tulsa did not because it was so racist.” Kathleen (C) worked at a major hotel chain as a cashier, but was fired because she had rebuffed her boss's sexual advances:

I was barely pregnant. I wasn't even showing. I was still wearing regular clothes. They replaced [my old boss] with a man . . . Well, I don't know how much of this I should say on here—But he started like flirting with me and I totally was not interested. At the time I was still married . . . I rejected him several times and when I started wearing maternity clothes he fired me because he said I looked inappropriate in my maternity clothes.

Household Income

IDA participants and control respondents reported a variety of ways they supported themselves and their families. Table 2.9 lists key income sources divided into two sections: earned income and other sources of income.

Table 2.9 Respondents' Household Income Sources (1998/1999)			
Type of Income Source	IDA Participants N = 59 (%)	Control Respondents N = 25 (%)	Total N = 84 (%)
Earned Income			
Employment	50 (84.7)	24 (96.0)	74 (88.1)
Self-employment	12 (20.3)	2 (8.0)	14 (16.7)
Doing work for others	6 (10.2)	3 (12.0)	9 (10.7)
Taking people to places	2 (3.4)	0 (0.0)	2 (2.4)
Selling things you make	0 (0.0)	1 (4.0)	1 (1.2)
Other Income			
Family/friends	16 (27.1)	6 (24.0)	22 (26.2)
Housing support	11 (18.6)	8 (32.0)	19 (22.6)
Child support	10 (16.9)	6 (24.0)	16 (19.0)
Food stamps	7 (11.9)	6 (24.0)	13 (15.5)
Social Security	8 (13.5)	3 (12.0)	11 (13.1)
TANF	2 (3.4)	3 (12.0)	5 (6.0)
Boyfriend/girlfriend/partner	3 (5.1)	2 (8.0)	5 (6.0)
Investment income	2 (3.4)	1 (4.0)	3 (3.6)
Supplemental Security Income	3 (5.1)	1 (4.0)	4 (4.8)
Husband/wife/ex-spouse	3 (5.1)	0 (0.0)	3 (3.6)
Unemployment benefits	1 (1.7)	2 (8.0)	3 (3.6)
Children's mother/father	1 (1.7)	1 (4.0)	2 (2.4)
Veteran benefits	1 (1.7)	0 (0.0)	1 (1.2)
Unspecified Sources	3 (5.1)	1 (4.0)	4 (4.8)

*Numbers equal more than total respondents because respondents may have more than one income source
 Source: Abt Associates (2004).

For respondents, the mean monthly earned income from employment and self-employment was \$1,103 (median \$1,100), with a range of \$50 to \$3,000. Mean “other” income was \$256 (median \$220), with a range of 0 to \$1,088. Combining earned and other income, mean total household income was \$1,359 (median \$1,300) in the month prior to the Abt interviews, ranging from \$270 to \$3,350. Calculated as annual income, total income (including earned and other income) averaged \$16,308 (if all months were similar to the prior month's reported income), ranging from \$3,240 to \$40,200.

Earned income. Based on Abt data about how respondents earned income during the month prior to the interview, most brought income into the household from earned sources, including jobs (74), self-employment (14), doing work for others (9), taking people places (2), and selling things they made (1).

Many respondents worked overtime to supplement household income. For instance, Shannon (C), who was divorced with two small children and no child support, turned to welfare when the children were small and she was finishing school, but when they were older, she began working 50 or 60 hours a week at a \$10-per-hour job to keep up with household expenses:

I waited until, or I had to wait until my kids were old enough to be home alone after school. And you just start working yourself to death. Because you never make any money unless you are making overtime. Or, at least, I haven't.

Judith (C) made \$7.55 per hour working 40 hours a week in a nursing home. In addition to her and her husband's social security checks, she also tried to work an extra 16 hours per pay period to supplement their household income. Victor (C) worked in maintenance, earning \$7.80 an hour, but said he also did “a little barbering on the side” to help support his family of three. In addition to receiving her monthly disability check, Lois (P), a widow with two grown children, said she did elder care and took on odd jobs to supplement her income:

I got a friend that I clean his house for and he pays me for that and so, I do a lot of odd jobs like that . . . I'm always doing something for somebody—it's like, would you come and do this and I'll pay you? Naturally I'm gonna say okay 'cause I can put it in my gas tank or whatever. And 'cause people know that I have, I have a little time on my hands during the day.

Job income was often irregular. For example, Lisa's (P) earnings as a waitress made it difficult to know exactly how to plan:

My money was like—a lot of times I worked as a waitress and stuff, so you make money drastically up-and-down . . . Usually working in a hotel in the restaurant industry, there's a swing to it. In January and February are very slow months, which I didn't realize initially, but – so I ended up in bad shape in January and February. After a few years I figured it out. Okay, this is going to happen again this year. You know when you're doing real good for a while, and then all of a sudden it cuts back, it leaves you kind of financially in trouble.

Sylvia – Divorce and debt

Sylvia and her three adolescent children at a local housing complex for low-income single mothers. She was married for ten years, and at first they made pretty good money, both working in the restaurant business. But things soon deteriorated as her husband's marijuana drug problem worsened. He was a poor money manager with bad credit, and he was terminated from his job as a restaurant manager because he embezzled money from the company. They were forced to file for bankruptcy, and although they are now divorced, Sylvia is still struggling to rectify her credit record. She is hoping the IDA program will help restore her credit and help her reach her financial goals.

Assistance from family and friends. Thirty-four respondents mentioned various types of financial support they received from family members and friends. In the month prior to their Abt interview, 49 respondents reported receiving such financial support (Abt, 2004). In addition, five of the respondents reported receiving “a lot” of support from family and friends to make ends meet (Abt 2004). Most assistance was from nuclear family, ex-partners, ex-spouses, parents, or their children. Sixteen received child support; three received financial support from a husband, wife, or ex-spouse; five received financial help from a boyfriend, girlfriend, or partner; three received financial help from a child or children's parent or parents. In addition, 22 received financial help from other family or friends.

The greatest financial contributions from family typically came from former spouses or partners in the form of child support and other support for children. However, obtaining child support in some cases was not easy because fathers were reluctant to pay or could not afford to pay. For example, Claire (P) recounted that it took her 13 years to get child support: “I have been getting back child support and that has helped.” But she said it was difficult to have to fight for child support: “And that has been really tough, too, to deal with. You marry somebody and you know things go wrong when you are young, but for them to not be responsible for a child they brought into the world.” Jill (P) said that just as she finally was awarded back child support, her ex-spouse was laid off and unable to continue payments:

He was ordered by a judge to pay back child support and current child support and then \$19,000 to the State of Oklahoma for the support they lent me to get through school and to get daycare and those kinds of things. And he paid for, I don't know, a couple of months and then he got laid off.

Family and friends also provided household income, although amounts were usually small and irregular. Support from family and friends typically went to specific expenses, including purchasing a vehicle, paying college tuition, making a down payment for land, and monetary gifts during Christmas. Jennifer's (P) in-laws helped her pay expenses: “I also was purchasing a van. My ex-husband's grandparents helped me out, and got it for me. I was purchasing the van, and going to school.” Others received inheritances in monetary form or as an asset, such as a house. Houses, in particular, helped offset household expenses.

Public assistance. Thirty-three respondents reported using some form of public assistance (Abt Associates, 2004). The most common type was housing subsidies (19), including Section 8

housing subsidies (11) and public housing (8). Nancy (P) said that housing support was very helpful when she was unexpectedly fired from a new job that she had just moved to Tulsa to take:

I think my biggest help was public housing, truthfully, and my biggest discovery was public housing . . . So there I was, and I think [my son] was in the third grade . . . [It's] nothing lavish, but probably \$400 a month, or something, for a nice two-bedroom house.

Natalie (P), said that even though the public housing where she lives is so dangerous that she would not let her “kids play out in the front yard,” it was secure. When her income dropped, she could stay: “[Public housing is] good when you get laid off and your income stops because if it would have been any other house I would have had to move out.”

Although relatively few families received means-tested assistance, 13 received food stamps. A few received Temporary Assistance for Needy Families (TANF) (5) or Supplemental Security Income (SSI) (4). Most were working and even though they earned a low income, they likely did not qualify for public assistance.

Although almost half of the households were receiving some kind of means-tested public assistance at the time of the interview, many others had received some form of assistance in the past. Typically, it was used temporarily to help respondents get through rough periods, and many expressed reluctance about turning to welfare programs. Lisa (P) said a friend talked her into using food stamps when she left her abusive husband even though she was “screaming and crying over the concept of it because it was something I really wanted to avoid, but I didn’t have much choice. I ended up doing it. I went on food stamps.” Some relied on public assistance to help them through school when their incomes were low:

It’s because I went to school for three years and then I, while I was working I got food stamps. I didn’t need the money [welfare check], but I still got the food stamps and the medical and the daycare assistance. And then when I opened up my daycare I think I was just down to some food stamps. And then when my business was really on its feet, I didn’t need that anymore either.

Elizabeth (C) “never was on welfare and I refuse. Because I knew as long as I have breath in my body and I could work, I will make a living and I will be a productive citizen.”

Social insurance and pensions. Eleven respondents received income from Social Security, and four from Supplemental Security Income. Three were receiving unemployment benefits, and three had some investment income. One respondent received veteran's benefits. There were no reported pension or retirement incomes, even though there were 10 respondents over 55 years of age, including three over 65 years of age. However, four people reported investment income, including two who were over 55 years of age.

Asset Ownership

What kinds of assets, including vehicles, homes, land, and insurance, did families own? Because of the potential importance of intergenerational transfer of wealth, we turn first to assets owned by respondents' families of origin. We then examine assets owned by the respondents and their nuclear families.

Asset Ownership in Families of Origin

Respondents talked most about their families' ownership of homes and vehicles. Altogether, 58 of their families owned a house at some time when the respondent was a child or young adult, although a larger proportion of IDA participants' families owned homes compared to control respondents (Table 2.10). Some said their parents always owned a home. Some remembered when their parents purchased their first house, suggesting the importance of home ownership. Linda (P) described the process her parents went through to purchase their house when she was about eight years old: "They rented it for about . . . ten years. And then even in the bad condition that it was in they thought it was a good deal to get it for so cheap and that he could fix it up . . . it's actually paid off now."

Table 2.10 Family of Origin Homeownership			
	IDA Participants N = 59 (%)	Control Respondents N = 25 (%)	Total N = 84 (%)
Rental housing	16 (27.1)	10 (40.0)	26 (31.0)
Home ownership	43 (72.9)	15 (60.0)	58 (69.0)

Source: In-depth interviews

The majority of homeowners in families of origin were two-parent families. Among the 43 IDA participants' families who owned homes, 39 of these were families where both parents were present. Among the 15 families of controls who owned homes, 12 were two-parent families.

It was much more unlikely that single parent families owned homes. Only six IDA participants and three control respondents whose parents were single owned a home at some time when the respondent was growing up. Among IDA participants, a single father owned a house, two single grandmothers had owned their homes for many years, and two mothers who had lost homes in divorces received help from relatives and government to purchase a home.

Other families never purchased homes. For example, Denise (P) explained that her family could never purchase a house. They had a difficult time finding stable housing as they moved back and forth from public housing to private rentals:

I think we moved 50 million times from one neighborhood to another neighborhood to another. . . She [my mother] did [public] housing and then she rented. Because when she worked and make so much money, she'd get kicked off of the housing—to where she just have to pay rent. So it was a back and forth thing with [public] housing and then just renting.

Others owned homes but had difficulty maintaining homeownership. For example, as Sonya's (P) parents' marriage foundered, they lost the family home. At least four IDA participants said their parents lost their homes following a divorce. Sometimes they were forced to sell as part of the divorce decree and other lost the homes later because they were unable to keep up on payments. Janice (P) said her mother lost her home through foreclosure when Janice was a teen. Her mother managed to save enough money later to buy a trailer.

At least 13 families owned land or a farm, which in some cases was inherited. Several grew up on farms and remembered owning tractors and other farm equipment, as well as farm animals.

Most families owned a vehicle, although in many cases, they were used and older cars or trucks. Jill's (P) father, for example, paid "\$500 or \$600 for . . . something that was running." For some families, however, a vehicle was considered a valuable asset. As a young woman, Shanta (P) emigrated from the Caribbean to the United States with her family. After using public transportation for a while, the family "all chipped in" and purchased a vehicle together.

Asset Ownership in Young Adulthood

As respondents transitioned into their teens and early 20's, most reported that they began to purchase assets. Some bought furniture and stereos, but many considered a car their first significant asset. Twenty-three IDA participants and eight control respondents saved and bought a car with their own money.

Many families helped respondents purchase their first assets. Almost half of the respondents acknowledged family help in purchasing a vehicle. Six were given their first car by a parent or grandparent. Other parents contributed money, co-signed loans, or facilitated the process in some other way. For example, Thomas (P) saved up for a motorcycle, and his parents also contributed to what he had saved:

I guess I was fourteen or so. But it was one of those type deals where I spent a whole summer mowing lawns and come Christmastime they surprised me with a motorcycle, and they took my savings . . . that I'd saved from mowing lawns, and they matched it. And that's how I got my first motorcycle But of course in my high school years until I left the nest, shall I say, they've always helped, one way or another, you know. And I've always pitched in a large percentage.

Several bought houses when they were quite young. Where did they come up with the money? Linda (P) used her Earned Income Tax Credit return for the down payment. Michelle (P) bought a house at age 23 with her mother's help. As both the listing and selling real estate agent, her mother sacrificed her full commission for her daughter. Michelle bought the house on a lease-to-own arrangement in which rents were rolled into the mortgage on closing, so she was able to save her money during those months for the down payment:

They let me—they let me take possession on it immediately and rent it until closing. And I didn't have to actually put any money out so, because it was all done in the math at the

closing table and so at that point I actually was able to save. I saved like, \$1,500 or \$1,600 over four months, because I wasn't having to make a rent payment.

Michelle (P) acknowledged that her early home purchase was unusual, but gratifying. She said she felt satisfaction buying the house in part because she had saved some of the money herself.

One of the things—and this was something that I learned a long time ago when I was a kid and—I appreciate having the opportunity to work for the things that I had. 'Cause like the difference between the first car that I was given and the second that I had to pay for and earn, is that when you have to earn something, you appreciate it a lot more.

Respondents who were able to purchase an asset such as a car or even a home at a young age said they learned the value of saving and benefits of ownership. They said that these early asset purchases helped lay the foundation for future purchases and asset accumulation.

Asset Ownership in Respondents' Current Households

Asset ownership in respondents' households was low. Respondents' net worth averaged \$2,302 (Abt, 2004). Every respondent except two owned a car at the time of the interview, but many drove unreliable cars, and looked forward to being able to purchase newer and more dependable ones. Most considered a vehicle a necessity, despite the high cost of car payments, repairs, gas, and insurance. Sam (P) said that driving a reliable car was worth the higher monthly payment:

We had to go purchase another car because the other car I had broke down. . . . It is a little hard making payments on it but that is what we use our taxes [tax return] for a lot of times. We pay a year off at a time.

Even as adults, four IDA participants and one control reported receiving help to pay for a vehicle from their families. Michelle (P) inherited a car from her great-aunt, Claire's (P) father paid for her car after she was divorced, and Stephanie's (P) son helped her pay for her car. Shondra (P) kept transportation costs down by sharing a car with her mother. Although her mother owned the car, Shondra covered most of the daily costs because she used it most of the time:

Okay, yeah, it's like, everything is in my mom's name And it's like she pays the car note and I pay the car insurance or we just help out. You know . . . right now what we have been doing is just splitting the car payment and I pay the insurance because I am the one who have the car more than she did. . . . So I am the one that is solely responsible for the payment and everything. This way, I don't have to go take out a loan or try to get finance for a car.

Regarding homeownership, 33 IDA participants owned a house at some point in their lives, including 25 at the time of the interview (Table 2.11). Among controls, 13 had owned a home at some time, eight of these at the time of the in-depth interview.

Table 2.11 Respondent Homeownership (July 2000)			
	IDA Participants N = 59 (%)	Control Respondents N = 25 (%)	Total N = 84 (%)
Rental housing	34 (57.6)	17 (68.0)	51 (60.7)
Homeownership	25 (42.4)	8 (32.0)	33 (39.3)

Source: Abt Associates (2004)

Six IDA participants and one control respondent reported receiving assistance from their families when they bought their homes. Assistance included co-owning, co-signing loans, purchasing the house from parents at a reduced rate, and assistance with monthly payments. As Mark (P) recounted:

We bought a house a couple of years ago, and yeah, we do own it. And again, my parents had to co-sign on that, so their names and our names are on the titles. So technically all four of us own it, and they've had to help us with the payments on that several times—quite honestly, to keep things going.

In addition to help from family, several respondents had figured out other ways to afford a house. Veronica (C), a single mother, for example, bought a “fixer-upper” for only \$2,000. She was looking forward to increasing its worth: “[W]hen I fix it up . . . it’s gonna be worth way more.” Others bought mobile homes that cost little, but saved them rent and made them feel good. Adrienne (P) used her tax refund and a bonus at work to purchase a mobile home: “It’s not fancy, [but] it’s really nice inside because they remodeled. But they sold it to me for \$3,000 cash. So I’ve got to put some work into it, but it got me out of the high rent bracket.”

Like their parents, respondents sometimes found it difficult to maintain homeownership. Lisa (P) said she was happy to be a homeowner and it was a better financial deal than renting, but “the house repairs are a bit overwhelming at times.” David (P) and his wife were able to purchase a home before they began having children. Nonetheless, he and his wife found it to be a large responsibility and expense:

A house is, I could say, five times more responsibility than an apartment. All those other added expenses and everything. You are paying more house payment than you are for rent. . . . Things, you know, expenditures slowed down or wasteful spending slowed down.

The cost of paying for a house was easier for two parent households to absorb. For single parents, it was challenging to buy and to maintain a home. Only nine IDA participants who were single parents owned a home, and only two control respondents who were single parents owned a home (a mobile home and an old fixer-upper respectively).

Six respondents talked about losing a home because of family dissolution and trying to make ends meet as a single parent. One respondent lost her home after her husband was incarcerated and she was unable to make payments on her own. As in their parents’ generation, these

respondents found it very difficult, if not impossible, to maintain homeownership as a single parent. As Adrienne (P) recounted:

When the girls' father and I separated, we had bought a house and we hadn't lived in it long enough to really accumulate any equity in it. So . . . we signed it back over to the realtors to where it wouldn't affect [our] credit. And they took it, but we didn't get anything back on it. We just worked a deal with them where they would just take the property back.

Lucia (P) said her husband quit paying on the mortgage after their divorce and they lost the house:

When we were getting a divorce, of course, we lost the house and he owed money on it and he stopped paying on it and I guess a lot of men do that. When there is a divorce, they just don't care and they are not going to make sure that you get anything.

At first Pat's (P) husband paid alimony and child support that helped her cover house payments, but later he had the amount reduced and she could no longer afford the house:

And at first he gave me child support and alimony to help me with that house payment because it was like \$900 and something a month. Well . . . he took me back to court and lowered it, and that's when I sold the house.

Many respondents said they wanted to own a home, but had been unable to save enough money. As LaVonne, a control respondent, said: "I plan to find a way to save because I want to buy a house. I am tired of living in somebody else's house. I could have built up a savings with my equity in my own home. But I am buying everybody else's homes but my own and that is wrong . . . I've wanted a house for 45 years."

Discussion

White and African American women, especially single parents with children, predominate in the in-depth interview sample. Seven respondents were born in other countries. The largest number of respondents grew up in married (or remarried) households, but a substantial number grew up in single parent households. Many of the families were large, including several that were blended families. Educational levels among respondents' parents were generally low, with only 12 households in which either the mother or father had received an Associate's or Bachelor's degree or higher.

Findings on education, employment, and income among respondents suggest intergenerational working poverty. Poverty, family dissolution, lack of access to quality education, and other difficulties made it challenging for many of the respondents to obtain training and educational credentials and access to well-paying and secure jobs.

Generally, interviews revealed educational challenges in the respondent group similar to those faced by their parents. Respondents went further in school than their parents, but formal

education remained relatively low. Interviews suggested that respondents and their parents had difficulty completing high school. Although many sought additional training, in many cases it did not offer significant advantages in the job market.

Respondents' jobs tended to be in the secondary labor market, in jobs characterized by low wages, insecurity, and lack of benefits. Half of the respondents began working by age 16. Reflecting national trends, respondents were more likely to be working in service sector jobs and semiprofessional or professional jobs than their parents. Respondents were less likely to work odd jobs or multiple jobs than their parents. Adult women respondents and respondents' wives were more likely to be working than their mothers. Despite these differences, few respondents or their parents benefited from the advantages of a career ladder that might help them to advance to well-paying jobs with benefits. Only a minority was employed in stable, relatively higher paying jobs with benefits, such as those in the aeronautics industry or the military.

Unstable income and financial hardships posed a constant challenge. Even with earned and other income, there never seemed to be quite enough money to cover expenses. At the same time, most families did not qualify for or preferred not to receive means-tested public assistance at the time of the interview. Larger numbers received some form of housing subsidy.

For most families, household assets were relatively low. Most families' assets were in vehicles and housing. Many respondents said that they were only able to invest in such assets with help from their families. Assistance came in the form of inheritance, down payments, or other direct monetary assistance. Although many had received help from their families in their first auto purchase, fewer received assistance from families in home purchase. Many of their families did not own a home themselves and were not in a financial position to be able to assist their children in purchasing a house.

For the lucky few, a small inheritance was a means to help pay for college or to purchase a home. At least four respondents mentioned inheriting money or property. Kimberly and her husband used inherited funds to pay for their college, and Joe used his to pay down debt and make a down payment on a home. The other two have kept their inherited property for future use.

Despite some assistance from family, there is little socioeconomic evidence that respondents or their families had high potential for saving. The types of jobs held by most of these respondents did not offer retirement and savings programs. Only a few had good jobs that offered such opportunities for saving. Nonetheless, in-depth interview and survey data suggest that respondents were actively seeking to improve their socioeconomic situation. They had all attempted to join the IDA program. Several had taken an educational course or participated in job training over the prior year. Overall, interviews suggest that a substantial group of respondents were actively searching for ways to improve their financial position.

3. Financial Management in Low-Income Households

For most of the families in this study, managing money was a constant challenge and often made it difficult to save. How did they manage their money in situations where income streams were frequently low or unstable? First, we turn to what families report about their expenses and spending priorities. We then examine who makes financial decisions and how they make those decisions. Low-income families inevitably deal with debt, and the families in this study are no exception. They talked about how they manage their debt and discussed their concern about how to improve their creditworthiness. What types of financial instruments do they use to manage their money and pay their bills? These economic struggles confronted experimental and control group respondents in similar ways.

Table 3.1 summarizes how respondents said they spent their money in a typical month.⁵ The table presents the median monthly expenses reported. These data offer insight into household spending priorities among the respondents. The highest expenses included mortgage or rent, utilities, food, transportation, and loans. Clothing and household items were also regular and important expenses. While only six respondents had debt consolidation that they were paying, many were paying on credit cards, car loans, school loans, and business or personal loans.

Table 3.1 Monthly Household Expenses among Respondents				
Expense Categories	Number of Respondents Per Category	Median Expense (\$) Control Group (N = 25)	Median Expense (\$) IDA Participants (N = 59)	Median Expense (\$) Total (N = 84)
Gas or public transportation	81	80.00	60.00	75.00
Mortgage or rent	83	375.00	340.00	348.00
Food	81	250.00	200.00	233.00
Household utilities & Other expenses				
Gas	58	30.00	29.00	30.00
Electric	64	70.00	60.00	60.00
Water/sewer	54	40.00	24.00	30.00
Telephone	80	50.00	45.00	48.00
Cable TV	45	12.00	7.00	10.50

⁵ Interviewers asked respondents about expenses at the end of the interview. The numbers reflect respondents' best estimates in some cases because they did not have their financial paperwork with them at the interview. Also, not all respondents considered a given expense applicable to their monthly household expenses. As such, the number of respondents per expense category differs, and is noted in the table.

Table 3.1 Monthly Household Expenses among Respondents Cont.				
Expense Categories	Number of Respondents Per Category	Median Expense (\$) Control Group (N = 25)	Median Expense (\$) IDA Participants (N = 59)	Median Expense (\$) Total (N = 84)
Misc. household items	72	35.00	30.00	30.00
Entertainment	68	25.00	20.00	20.00
Clothing	71	50.00	30.00	40.00
Child care	16	300.00	160.00	160.00
Health expenses				
Medical and dental	39	10.00	30.00	30.00
Insurance				
Health insurance	42	20.00	61.00	3.00
Life insurance	36	3.00	17.00	23.00
Loans and credit				
Credit cards	53	50.00	25.00	43.00
Car loan	51	243.00	190.00	195.00
Business/personal loan	23	163.00	150.00	150.00
School loans	16	70.00	63.00	70.00
Debt consolidation	6	171.00	150.00	161.00

Source: In-depth interviews.

Making Ends Meet on a Low Income

Most families said they faced high household expenses despite relatively low incomes. Families with children, in particular, talked about feeling financially pinched. Most (41) of the 67 respondents with children talked about the high costs of raising children including food, transportation, and childcare expenses. Tonya (C) remembered when her son was in daycare:

Tonya: My son ate a lot. He could drink two cases of milk [formula] a month. That was pretty expensive And then when he started eating baby food, he could go through jars of that. So, he was really eating me out of house and home.

Interviewer: How were you making ends meet at that time?

Tonya: I honestly don't know. We really lived from paycheck-to-paycheck and I paid, like, the daycare out of one check, or it may have been half the daycare out of one check and half out of the other and the rent out of one. There was one check that always seemed to not have enough money.

Respondents said they felt pressure to spend more than they could afford, especially for their children. For example, although parents were willing to forgo spending on themselves, they were less willing to forego paying for extras for their children. As Roseatta (P) explained, “I know if it’s something my children need, that’s important. If it’s something I need, I always push it off I was coming up and there was so much I desired and never got. So [I] give them something in their childhood to enjoy.” They wanted to be able to give their children more. For example, David (P) was sensitive about how his children were viewed by their peers and, therefore, spent more on their clothes. “We don’t buy them the cheap [clothes]. We don’t want our kids to be labeled, you know, ‘cause, you know, how peer pressure is for children, okay? So we’ll shop smarter.” Similarly, Yvonne (P) felt pressured to buy things for her children so they could keep up with their friends, whom she perceived had more money. “I always struggle against the pressure to buy because [the kids] always want or need things. They have a whole lot of rich, rich friends and so it’s always pressure to buy for them.”

When asked if they have trouble making ends meet, 49 respondents reported they were making ends meet, but most said they had to manage their money carefully. Thomas (P) explained that even though they managed to pay their bills and have a decent quality of life, “there’s always [financial] juggling going on. It goes on every month almost.”

Each respondent had a slightly different definition of “making ends meet,” but most understood this as meeting their most basic needs such as food, clothing, utilities, and housing. This did not include being able to cover emergencies or other costs of daily living that were not absolute necessities. Stephanie (P) said that making ends meet meant that she did not have to “beg or borrow.” For Ian (P), making ends meet meant covering the basics and staying out of serious financial trouble:

I’ve never had anything repossessed. I have always been able to make our car payments We don’t have creditors knocking on our door or calling on our telephone. We have food. We have shelter. We have clothes. They may not be the best clothes. Our children don’t have all the latest designer clothes, but they have clothes and they do well.

Thirty-one respondents (4 did not answer) reported that they were not always able to meet their basic needs. Carol (C) said that her expenses overwhelmed her income, and she sometimes needed assistance with meeting basic needs, observing that “There’s about five agencies that help me.” Jocelyn (P) was doing better at the time of the interview, but she remembered not having enough food before moving into a subsidized apartment: “So I was just juggling my bills just trying to . . . pay enough to keep them on, you know, and having a really hard time. I mean, we ate Ramen noodles, cereal, and hot dogs. That’s all I bought and we ate those for I don’t know how long. I didn’t even care if I ate, I was so sick of eating those.”

Jennifer – Raising children on her own

Jennifer is a single mom with five kids, and every month is a struggle. When he can be tracked down, her ex-husband occasionally sends some child support, but he has a sporadic employment history, and she cannot count on this income. She currently lives in a private housing development for single mothers where her rent is free, but she is going to school full-time and supports herself and her children with TANF funds and financial aid. Christmas and birthdays are particularly challenging because she does not want to disappoint her children. The summer before she started school, she took on an extra job and budgeted this additional money for the next six months when she would have no income. Jennifer has started encouraging her children to save, and her oldest son (age 12) saves and budgets the money he earns from being a balloon artist.

As Tonya's (C) son grew older, costs shifted from childcare to other expenses, but continued to be challenging:

He's outgrowing clothes. He's in sports . . . football just costs me around \$300. And this summer I paid for all of them to go to camp because I thought my daughters, my oldest, needed to be out doing stuff instead of just cooped up in the house watching the kids . . . not that that's a bad thing, but I think she needs more experiences than that . . . So, she's been a CIT, a counselor in training, and it cost me for her to do that, but she got to go on field trips and things like that that she wouldn't have gotten to do . . . And then my son, I put him in more expensive camps just because I knew he would get bored going to the one that they are going to . . . So, I think camps this summer cost me around \$2,000 to \$3,000 all together.

In general, families with children had to plan carefully and adjust their budgets and lifestyle to accommodate these increased costs. As David (P) said: "Everything changes with children. Lifestyle changes, no more, you know, no more going out to eat, you know, that type of entertainment kind of stops . . . You know, you adjust to . . . entertaining yourself at home."

For families without medical insurance, health care costs were sometimes financially devastating. Health problems often set them back when they were required to cover costs out of pocket. As Sam (P) explained: "Since we got two kids, we're constantly going to the doctors . . . I paid over \$2,000 last year for medical bills. We still had an extra \$900 that we needed to pay. So I paid almost \$3,000 for medical last year." Even with insurance, health care costs could be expensive. Kathleen (C) stated:

You know, I pay out of my check for insurance every month and I still have to pay \$200 deductible for myself and...\$200 deductible also for my children every month. So every year I pay \$600 deductible out of the insurance. I have to pay the first \$600 out of medical that we use. Then after that I pay \$15 every appointment that we have. So that's wonderful, because we do go to the doctor a lot. But that's still a lot of money.

Transportation costs also ate into family budgets, including car payments, maintenance, repairs, insurance, and gasoline. Moreover, 14 respondents said they had unexpected car problems that contributed to their financial stress. John (P) said he had to purchase a car in a hurry because his other one broke down, and as a result, he paid more than he should have for the new car. “I hated I needed that car like that And now I got a \$240 car payment that I really didn’t want.”

Loan and debt payments also took a significant chunk out of monthly budgets. Credit card payments were high, averaging \$104 per month (median \$50). Most families were paying less than the full balance due each month and therefore were incurring interest charges. Over half of the households were paying on a car loan, one quarter were paying on business or personal loans, and almost one fifth were paying on school loans.

Five respondents mentioned high household maintenance expenses. Often these were unexpected and fairly sizeable expenses. For example, Elizabeth (C) recalled: “Like this summer I had to buy a lawn mower, you know, which I wasn’t expecting. But there’s things like that. Paint the house. So anywhere what, from \$500 to \$1,500 a year . . . depending on what it is. You know, ‘cause things break and you do have to repair [them].”

Financial Management and Spirituality

In the face of financial challenges, a fourth of respondents (21) said they relied on their faith and religious institutions to help them cope. We found widespread belief that religion and devotion eases the challenges of poverty. Religious institutions provided tangible assistance, guidance, and support. Jackie (P) said that her mother “always knew that the Lord will provide And she had a way of making us feel that we had everything I would say her religion helped her to cope in her hard times.”

In making financial decisions, some respondents mentioned that they prayed or talked to God. In conversing with the Lord about making financial decisions, Roseatta (P) also reflected the notion that God will somehow provide:

We’ve never had a problem financially, paying bills. It’s kind of, “Now Lord, now how should I go?” You know, the Lord just blesses us with the money. Somebody may give us something or something like that. We never had a financial problem.

Several respondents describe how God provides in unexpected ways, thus increasing the belief that their needs would be met. As Jake (C) observed:

I used to worry about everything and once I put my faith in God, little things happen that come together when you don’t expect it. You might not have any money to go out and get any food and when you pull your clothes out of the clothes dryer there’s a \$20 bill laying there when I put God first, He takes care of everything.

In some cases, respondents described examples of their own initiative working in tandem with God's help. Although her debt continued to be a large burden, Stephanie (P) believed that God would handle it:

You just keep, you just keep going towards your goal, and coming out of it, and I did. I'm a churchwoman. And I do believe highly in debt cancellation, when you do it right, with God's will, you plant the seed, it will come out. And I believe that's working. It started two years ago. And things have started breaking open. . . . They call it mountain-moving. They say, "Speak to your mountain." And if it's debt, or lack, anywhere, wherever it's at, you speak in the name of Jesus this is gonna move and I'm going to make a difference I'm going to see it move. And then you start taking the natural steps, which is what I'm trying to do with this. And you learn all you can. And now I'm in courses called—there's a wisdom course I'm taking, and it teaches you how to handle credit cards and real estate and portfolio. I'm just getting to all that. And so I'm going to learn this stuff.

Tithing

Religion often implied financial obligation as well. Seventeen respondents talked about tithing to their church, some consistently and others some of the time. For example, Camille (C) said that she included tithing to her church among the top priorities:

But the first, the very first thing, the very first thing I do when I get paid is pay my tithes I do that off the top before, because I feel like God blesses me, you know, and you can't beat him giving—I'm pretty religious, you know, and I know that that's a requirement. You should pay your tithes to the Lord. You really should, because if it wasn't for him you wouldn't have your health and strength. And he only asks for 10 percent. That's all he asks for. And the rest he leaves with you to do whatever you want to do.

Lucia – The role of the church

Many people in this study look to their faith in God to sustain them through hard times, and they fervently believe that if they tithe part of their income (giving at least 10 percent to the church), God would provide for their needs. Lucia is a single mom with an adolescent son, and she makes a small income cleaning houses. She is a devout Catholic and relies on her church and a nun who offer her different types of assistance, such as food and clothing, but she also gives back by reaching out to other needy families in the community on behalf of the church. She is thrifty and lives within her means, only shopping at garage sales and thrift stores. Quite often, the purchases she makes are donated back to the church for other families. Lucia joined the IDA program because it “sounded like a good deal” and an easy way to save money for a house or her son's education. But she is an inconsistent monthly saver because she feels guilty saving when she could be giving the money to those in need. She frequently forgets to make her monthly deposit but tries to make up for it by depositing her tax return. Because of her faith, Lucia knows the Lord will provide for her, so she does not give a lot of thought to her future financial goals.

Making Financial Decisions

When money was tight, most respondents planned when and how to pay bills based on four criteria: level of importance, its due date, household income flows, and the cost of not paying.

Generally, respondents paid bills based on their level of importance in meeting the household's basic needs. Therefore, rent, utilities, car, and food were paid before other bills. For example, Shondra (P) explained:

If I don't, you know, feed my family, they gonna go hungry. If I don't pay the rent, we ain't gonna have a roof over our heads, you know. If I don't make those car note payments, you know, we ain't gonna be able to get—we ain't gonna have none of that, you know.

Others talked about coordinating bill paying with income flows, as Roxanne (P) explained:

I just didn't want to come to the end of the month and not have what it is that you needed and be all freaked out like my mom was, and that kind of thing. I just hate that . . . here we get paid once a month, so I pay my bills . . . within the first week of the month, everything is paid off.

Jasmine (P) began by saying that she organized her bills to correlate with incoming checks, but found it difficult to describe what she would do if there happened to be an added expense:

I know one check is solely for all bills. So the next check is maybe groceries and if there is something, an activity, if I have to buy Easter outfits or, or, birthday, I just plan according If the gas bill was \$100 and I have a birthday, I say "Okay, I'm gonna put \$75, keep the \$25." The electric bill is \$100. I say "Okay, I'm gonna pay \$75 and I'm gonna keep \$25."

Finally, respondents weighed the cost of paying or not paying certain bills and paid some or all of a bill based on which is "gonna hurt . . . the worst." Linda (P) rehearsed what she could "let slide" as she talked about her spending priorities:

There are certain priorities that I have. I mean, daycare is a must. Daycare is always first. Because they normally, they are not normally very flexible with you. You always try to pay, you know, your mortgages, your credit cards, and your car payment, things like that first. Always auto insurance, even before your auto payment, because they will take your car from you if you don't carry full coverage insurance on it, you know. But usually what slides are the utilities. You know, the utility company, the phone company is not gonna come turn off my phone even if you owe three months because I don't have any long distance. It's like \$23 a month, you know And the electricity, if . . . it's not summer time, you know, if it's winter time and it's only \$20 a month, if you had to not be able to pay that for two

or three months, then that’s something you can let slide. If you let a \$20 credit card payment slide, they are gonna charge you a \$25 late fee and then if you are right at your limit anyway, they put on there \$20 of interest or whatever, then that pushes you over your limit. Then they are gonna put another \$25 fee on there because you are over your limit now because of the interest and you have a late fee. So that \$20 payment turns into \$70 just like that because you are two days late. You need to pay that instead of paying your \$20 electric bill if you can, if you have to let one slide, you know. So, that’s, that’s how I prioritize.

Gordon (C) developed an elaborate system paying particular attention to the payment rules of various vendors, including the importance, due dates, and penalties. In this way he juggled the order in which he paid bills and also avoided late fees. Moreover, he knew the rules based on how each would affect his credit rating.

Well, when I look at my bills, I pay the ones—I understand the fact that on certain bills you have a 30-day window. So, if it’s due on the first, you have ‘til the first, or actually up to the 31st of next month to pay it before you get a 30-day charge on your credit report. So on certain bills like that I kind of “work the system.” Other bills that have high fees if you’re late, like credit card bills or stuff like that, I pay those to make sure, because if you miss it by a day or two—sometimes one day—I can, you know, talk to them and they’ll give me a break. But if you miss it by a few days, they charge you with a \$29 late fee, which totally cancels out your payment almost. So those bills, I make sure that those get paid right away. On utilities, I know that those don’t go on your credit report, so if I have to skip a bill, I’m going to skip a water bill, you know. And so, I’ve just learned the system, and I work it to my advantage when necessary.

Roxanne (P) said she pays all her bills on time except for medical bills:

The only thing that I don’t pay right away is medical bills because it goes through the insurance process and it takes forever. And if you pay them, it takes you ten times longer to get reimbursement from the insurance company then.

Respondents said they used a variety of strategies to try to remain within their financial means. These included increasing being frugal, spending carefully, borrowing, negotiating loan and bill payments, increasing income flows, using savings, and using tax returns to pay for some expenses (Table 3.2)

Table 3.2 Strategies for Making Ends Meet

	IDA Participants N = 59 (%)	Control Respondents N = 25 (%)	Total N = 84 (%)
Be frugal	20 (33.9)	8 (32.0)	28 (33.3)
Resist or delay spending	17 (28.8)	8 (32.0)	25 (29.8)
Borrow	16 (27.1)	6 (24.0)	22 (26.2)
Negotiate with providers	13 (22.0)	9 (36.0)	22 (26.2)

Table 3.2 Strategies for Making Ends Meet Cont.

Table 3.2 Strategies for Making Ends Meet Cont.			
Work more	14 (23.7)	4 (16.0)	18 (21.4)
Use savings	4 (6.8)	5 (20.0)	9 (10.7)
Use tax refunds	3 (5.1)	1 (4.0)	4 (4.8)
Barter or sell things	3 (5.1)	0 (0.0)	3 (3.6)

Source: In-depth interviews.

Be Frugal

Many (28) said they tried to be frugal in their spending. Kimberly (C), for example, learned how to be frugal from her husband's family: "[My husband's] dad was a doctor and yet they were so frugal they would grow everything themselves. And they would save tea bags, you know . . . And so, we, both me and my husband are very frugal, we are not elaborate at all in our spending." They also tried to teach their children to be economical. Natalie (P) taught her children the difference between what they needed and what they wanted to keep up with the fashions. "I don't do a lot of frivolous spending. Never. And [the children] don't wear those \$100 tennis shoes. Nothing like that, you know. 'Cause I'm teaching them, you can't afford to wear those, you know. We need to get these other things first."

Plan carefully. They also carefully planned their spending. For example, 19 respondents said they bought less-expensive brands and prepackaged meals and went to the grocery store as seldom as possible. A few grew some of their own food. Jocelyn (P) said they switched to less expensive food when they needed to spend less. She said "it doesn't bother me to eat, you know, beans and sandwiches for two weeks if that's what we gotta eat. Or just cook from scratch. Just, that's usually where I cut back."

When money was tight, families budgeted carefully. Theresa (P), for example, learned how to organize her bill paying carefully because she lived for a time on one check from public assistance. She had two children and refused to turn to others for help.

I got real good at budgeting 'cause you only get a check once a month here and that has to last you the entire month. Even though I still had the medical thing and the food stamps. You still have to learn to budget. I think that's where it started for me, was learning, where I started learning how to budget things . . . because if you ran out, I mean, it was like . . . I have more pride than anybody should have because if there's something I don't have, I will do without it before I go and ask somebody for it. So I had to learn real quickly. That first couple of months was really hard because I got two small babies here and here it is the last week of the month and I'm broke, you know? I swallowed a lot of pride for those two, but I mean it taught me.

Several respondents mentioned making lists of spending priorities. Denise (P) described how she purchased those items at the top of the list and delayed those that were not.

Like for instance if . . . the kids may need like underclothes. They may need six socks, like two-packs. I may need cleaning stuff. . . Even though I get food stamps, maybe I ran out of milk. You know? And I put that on my list . . . I take my list, and

I say, “Okay, this is how much money I got. What is my main thing that I really need?” And first of all, kids’ stuff . . . They need socks, they need underclothes. You know, they need toothpaste. I’ll take those main things and just buy it. But the rest I really need, but I don’t have the money to get it . . . [so] I just wait ‘til the next time.”

Shanta (P) set aside a certain amount of money from per paycheck each week so she would be able to pay bigger bills. “Some for my car payment, insurance, some for taking care of [my son] and whatever bills, like light bills and phone bills and I would put aside a little bit for everything, every week.

Others calculated how much money they had to spend as they were considering purchases. Grace (P) kept her household budget in mind, calculated whether she had any extra to spend at the time: “I just break it down. Like I do it day-by-day, like if I didn’t spend, if I haven’t really spent \$10-a-day for a couple of days, then I’ll know I can afford to buy something else. I mean, it’s really simple, I just break it down that much.” Similarly, Trish (C) did not spend until she knew if she had the cash available: “I would wait until we saved up the cash for it.”

Respondents said they based purchasing decisions on the likely benefits. Sometimes their planning included considering non-financial factors that could improve their family’s quality of life. For example, Lisa (P) said she chose to buy paper plates rather than use her existing dishware so that she would have more time to spend with her children instead of washing dishes. Jocelyn (P) said people weigh the potential impact a purchase might have on quality of life: “People just want to do different things with their money. You know, whatever they enjoy, whether it’s eating out or having a new car. You know, I’d rather have a used car and have some money to buy other things.”

Roseatta – Coping with the high cost of raising children

Roseatta and her husband have two children in college and two in high school, in addition to two who are older and on their own. They have sometimes struggled financially, especially since her husband lost his job because of a disability, but they are a close-knit, loving family, and Roseatta feels blessed because she grew up in the foster care system without a permanent home or family. Her children’s needs and wants have always come before her own. She knows that most of her children’s “needs” are actually “wants,” but she wants their childhood to be different from her own. There were so many things she desired as a child that she never had, and she wants them to have something to enjoy. She does not spend frivolously, but she doesn’t want to be constantly telling them, “We can’t do this” or “We can’t buy that.” She and her husband try to find a balance between providing for their children’s needs and wants and staying within the tight monthly budget.

Is it a good deal? Another question that they asked themselves was whether the purchase was a good deal or not. Debra (C) said that she thought through first whether the purchase was needed and if she could get it more economically.

If it's anything other than [a] necessity, like clothes, I will see, I will determine by the bargain. Like you know, I go outlet mall shopping. If they have jeans on sale for really cheap, then yeah, I'll buy them. If I see something that's a dress then I will look at it and see if I can make it or go get a pattern for it. And if I can't, I won't get the dress.

Use second-hand items. Nine respondents said they bought used clothing, made their clothes, mixed and matched (rather than single outfits), bought on sale and at the end of season, and bought fewer brand-name styles. Some waited until items went on sale or they found them at a lower price. Maxine (P) shopped “off-season” for her kids, and Brad (P) said that they bought used clothing:

And of course, you know, we buy them from Salvation Army and garage sales. A lot of [my wife's] friends—we have a very good, tight-knit community here—and so a lot of things are passed down. And we pass things down as our children grow out of them. We give them to friends.

Four said they shopped at garage sales, including Jocelyn (P), who said: “I would take my money and do things like, buy things for the house, buy furniture. ‘Cause we'd always had terrible furniture. Anything we could find at any garage sale, but it's okay, it's okay. I can buy some really good stuff at garage sales.”

Jackie (P) purchased items on sale:

Normally I try to buy things when they are on sale (and I still did that even before I worked with IDA). I looked for bargains to buy things. And like when my kids would see things in the store and they tell me about it—We have a list here, you know. Let's write down what we want and then we can start looking for it. I don't like to buy things on compulsion or spur of the moment thing because I have done that before, and I think like a few days later the thing was on sale . . . I try to buy what I need.

Conserve energy. Four respondents said they worked to minimize their utility bills. Lois (P) said that during hot weather, “If you look around before you leave, I got all my windows covered with like dark, maybe a towel or a dark curtain or something, keep the lights out, keep the doors closed My bills go down so much, so much.” Another respondent, Rose (P), took advantage of budget billing for her light and gas bills.

Resist or Delay Spending

Respondents (25) also said they cut back on expenses when money was tight. Many of these techniques required that respondents distinguish between whether purchases were something they needed or something they wanted. As Maxine (C) explained,

Necessities are food Clothes are not necessities, you know. The bills, the basics—the water, gas, electric, the phone. Those are what I call the necessities. I

don't do "wants." I would love to have a diamond ring, you know. I would love to have a beautiful gold chain. That's a want. So, I'm not gonna go because I love to have that and charge it on my credit card . . . You know what I'm saying? So that's my evaluation of necessities. The basics. The survival. The things that's gonna keep you going. You know, a bed for you to sleep in.

Michelle (P) learned how to cut back from her mother:

My mom challenged me a long time ago about qualifying needs and wants and you know. What you need and what you want are two different things . . . The shoes that I'm wearing have a hole in them . . . I need a pair of shoes. But if I just like that pretty red dress that I saw as I was walking by, but I don't need it 'cause I've got 12 dresses in my closet and you can only wear one a day—you know? That's one of the ways that I qualify from needs and wants.

Most cut back on their expenses by reducing their spending on food. For instance, when Sylvia's (P) income fell from \$1,400 to \$1,000 a month, she said, "I just had to start saying 'no' to the kids more and I had to make sure that we don't eat out as much and, you know, fix sandwiches and take them to the park instead of, 'Well, it's easier to stop and get a hamburger or whatever.'"

Some purchases could be delayed. In making purchasing decisions, for example, Terrell (C) asked himself whether it was an immediate need or if it could be delayed:

Is it really gonna help us? Do we really need it? Can we wait another month before we can get it? Sometimes that's what we have to do. Like [my wife] will say, "We need another microwave." Well I said, "Well, we just got a microwave about a month ago," and two months ago she really wanted it, and I was like, "Well, let's wait another month. The kids, it's summertime and we have to get them some new clothes. So if we can just wait, you know, we can get through without it." We made it and now we got it. . . I guess we can do that with anything we need in life. Just think about it, the time, the situation, and is it really the right time right now or can we just put it off until later?

Nonetheless, some respondents said it was difficult to resist spending money. For people living on low incomes, spending a little extra now and then made them feel like they were enjoying life. David (P) put it this way: "We do spend a little excessive money here and there and stuff but you kind of need to do that, you know, to feel un-deprived, you know." He explained, "my wife and I . . . we've made a dedication to go out every week. We'll spend \$50 today, we'll spend \$50 next Saturday . . . And we'll have a nice meal and we'll go to a movie or whatever, but we are gonna do that, you know, because we need it."

Borrow Money

Many borrowed to cover their expenses. They used credit cards, took out loans, or borrowed money from family. Abel (P) said that he turned to credit cards for unplanned expenses: “Well, that’s what I have my credit cards for, kind of, you know?”

Denise (P) borrowed from her family when she really needed it, but she rarely asked for loans because she doesn’t like “asking people for stuff.”

I had to borrow the money. Like if I have something come up and I don’t have the money, I’ll just go and borrow it from my mom or somebody and when I get the money I just pay them back My mom know if I come to her it’s a need. It’s really a need.

Although wary of taking on debt, Natalie (P) said she took out a loan to cover expenses that she could not cover from her regular income:

I know it’s dumb on my part ‘cause I didn’t want to get in debt again, in a loan, but they needed school items and I went and I got that, you know, that loan for them, for \$300 for school items for them. And they may not [be] getting as much as the other kids, but, you know, I just had to do that.

Continuing, she said that she sometimes renewed her loans (borrowed more) when she could not cover her monthly expenses. “I have these two loan payments that I sometimes have to renew . . . if I can’t make the payment which means start[ing] them all back over again, little small loan companies, you know?”

Negotiate Bill Payments

Many respondents also negotiated with service providers (22) in order to juggle bill payments. The most common negotiations took place over utility bills, but also student loans, car payments, and rent. LaVonne (C) was knowledgeable about which utility bills could be negotiated:

So when I have to come up with the money to pay that I have to let something go or ask them, “Well I can’t pay this this month, I got to pay it next month.” And that’s, you know, like on gas, I can’t pay that this month I’ll pay it next month.

And they will fix up some kind of arrangement there. Or the water bill, they’ll work with you. The light bill is on a fixed thing, so they never work with you, you’ve gotta pay it. My phone bill, there is the same way, I can say, “Well look, I’m gonna pay a certain amount, I’m not gonna pay all this.” So I am kind of waiting, pinch some money to put somewhere else.

Work More

Others (18) said they added work hours or took on another job to cover their expenses. For Elizabeth (C), the choice was either to find work or go without things the family needed. When you cannot afford something that the kids need she said, “You [either] do without it or you go out and find more work to be able to pay for it.” Shannon (C) explained: “You are never gonna get ahead until you start working overtime Your salary pays your bills and your overtime is gonna pay for the extra things that you want. The time-and-a-half is the only time that makes it worth it [but] you gotta work that first 40 [hours] to work time-and-a-half.”

When Jocelyn (P) needed to make a large purchase such as furniture or pay for Christmas presents, she worked an extra part-time job:

I would work a full-time and a part-time job and it would be to, like whenever I wanted new furniture I'd think, “Well, okay I'll work a part-time job for three or four months and save that money and go buy me some new furniture. Or if it was Christmas time coming up and I wanted to have a really good Christmas then I'd get a Christmas job.

One problem with working more to bring in additional income, especially for single parents, is the time spent away from the children. Lisa (P) said that she worked hard to keep ahead of the bills, but felt bad leaving her children:

I realized that my focus was so much on keeping up with bills, and having good credit and all this stuff that I was neglecting time with my kids. Most of the things that would bring me money would take me away from my kids, and then my son would stand at my door and go, “Mommy, you don't go to work,” and you know, I had to go anyway.

Mark (P) recounted that he had hoped income from an extra summer job would help him to pay off debts, but the timing of his paycheck created more debt:

I'm working a summer job, a lot of teachers do. It's kind of a construction cleanup kind of thing. And I was looking forward to the extra income. And I mean it saved us this summer. It's been good to have the extra income. But the pay hasn't come as fast as I've expected it to. It's been about two or three weeks behind what I anticipated. And so what happened is, right at the beginning of summer, I ended up counting on my paychecks coming a little quicker, and instead of paying down debt, I ended up getting a little bit more into debt because I had to increase my credit, you know, I had to take out a little more cash. I had to take out loans just to cover the time it took until the paychecks started coming. And then once the paychecks started coming, they didn't go to pay those loans back. They just came to survive.

Use Savings

Nine respondents said they used savings to cover expenses. Theresa (P) used the savings in her 401(k) to pay her bills:

When I left [my job] the money that was in my 401(k), okay, well since I didn't go directly to another job, I withdrew it. (Because you have to go directly to another job to roll it over into another one.) So I withdrew it. . .and that's what helped me survive for a long time. I mean, you know, as far as just paying bills.

Camille (C) used her credit card like an emergency savings account, keeping a cushion in her credit card account by paying a little extra. This provided money for expenses that could not be covered otherwise: On my credit card, I always believe in paying over. I never pay what they state. I'll just make an example—\$100 a month. But I don't owe \$100 a month. I owe like maybe \$50 or \$40, but you aren't ever going to get nowhere like that. So I pay \$100 a month on the credit card, right?

Use Tax Returns

A few (4) used tax return funds to help pay for expenses. Claire (P) said she counted on her income tax return to cover some large expenses that are difficult to cover with her regular income.

You have to pay your taxes and no matter what. No matter how much they take out. But being a single parent, [I] always got back earned income credit so that has been really good for me and that has helped out because that, like, pays my insurance. I save that and I pay my car insurance and, you know, the big chunks of things you have to pay.

Tonya (C) said that she used her tax return to pay for the most expensive loans she had: “And then the money I get back from my tax refund I was planning either putting that towards my car or towards my loans—probably my car since it's the higher interest rate.” Maxine (C) also used her tax return to pay on her credit card bills: “With the big lump sum [I] pay off everything.” This might include her credit card bills, “or major bills. You know, I double up. See, like on my car payment, I'll double up. I may pay three or four months.” Although John (P) said he could put some of his tax return in savings, he talked about how he spent it on durables:

It's just, you know, kind of like this: I get my income tax back, man, and then I'll pay some of this stuff off and I can put something back to save. That's what I did last year. I . . . took that money that I had. I got a little return. But I took it and I pinched off of it, you know. I'd take it out and I'd have this fixed and I'd have that fixed. I had some plumbing fixed in my house. I bought a new refrigerator. I bought me a stove. Paid cash, paid cash for all that, you know. It was used, you know, but I

paid cash and that was a debt that I didn't have. You know, so that's what I used that money for.

Barter or Sell Things

Finally, three respondents said they bartered or sold things. For example, Jocelyn (P) talked about "when it would be hard to make it 'til the next payday," she would "hock" things at a pawn shop to get money. And although he said he had not done any of these recently, Thomas (P) had sold things in the past:

I mean, you can go give plasma and get \$30. You can go pawn off a tool that you don't need and get \$10. You can go collect tin cans—you can sell a vehicle. You know, a lot of people don't do that or realize it or are just flat-out too lazy. But you do what you have to do. That's what we do.

Financial Management and Gender

Gender was a significant factor in financial decision making. Respondents in couple households often distinguished between day-to-day financial decision-making (e.g., buying groceries) and larger financial decisions (e.g., purchasing a car). Whoever paid the bills was likely to be the person who made the day-to-day financial decisions. But for larger expenditures, there was a more conscious process of decision-making. Among 34 married respondents, 17 (50%) women said they made large financial decisions jointly with their spouse. Kimberly (C) discussed the importance of mutuality and communication in financial decision-making when asked who made the financial decisions: "Simply because we do sit down and talk about it, I think we are better off. We are not wealthy or anything. But I think we are on a path that can go somewhere. . . .You can't go together when you are not agreeing or talking."

Among male respondents (20) who discussed financial decision-making, only four (28%) of 14 married males reported making most of the financial decisions, and one, Fred, said that he made all of the financial decisions. Fred (P) said that he consulted with his wife, but he made it clear that he was the decision-maker.

Interviewer: Tell me, how does your family here make financial decisions? Who decides what to buy?

Fred: You're looking at him. Me and my wife sit down together and discuss everything. We are one. We make them decisions together but I've got the final say so.

Interviewer: Even like the small things, you've got the final say so?

Fred: Yeah, I'm a man. She knows her position, she's the woman. I'm the man. But I don't abuse that, you see. You've got to learn how to work together. Manage a partnership. If her decision is better than mine—you can't be so naive that you can't

let, her decision is better, we use hers. She got a mind of her own, she can think, and, and, if she got a better plan, why not use hers? 'Cause it's all for the same purpose, to better this family. So we work together.

In two instances, their wives handled all financial decisions. In one case, Anne's (C) husband was accountable to his wife for all purchases over \$20. Anne paid all the bills and made most purchase decisions except for larger investments:

I pay all the bills, and I handle the stress of that. My husband has no concern. He knows it is going to get paid. He gives me his paycheck. It is funny though, 'cause he doesn't get an allowance. But, and then if we have to buy something we discuss it. I mean, it's kind of like we have a dollar amount, you know, he knows, he's got the check card so he has access to the money and he knows that if it is something that he needs that's like under \$20, then get it and just give me the receipt. Kind of over \$20—which doesn't sound like much, but it can affect my budget either way. So, over \$20 you kind of need to tell me and tell me how important it is. And if we have it I'll tell you go ahead and if we don't have it, I'll ask you, can we wait till next week? . . . If it was a big thing, I would never go out and spend a hundred bucks without telling him. So, yeah, if it's a big thing we go together to buy it.

Fifty respondents were single, divorced, or widowed, and therefore made most financial decisions by themselves. Most of these were women. Some sought the advice of family members. But financial decision-making for this group was not always smooth. Some divorced respondents, especially, found they were responsible for financial decisions for the first time in their lives. Jackie (P) said that her former husband had made all of the financial decisions, large and small:

Even small decisions. I mean even if it was a decision of grease for our hair he would want to go to the store to buy the grease. If I ever—if he gave me \$5, like maybe if we're at the store and he doesn't want to get out of the car and I would go into the store to buy it he would ask for the receipt and the change. That's how tight it was.

Theresa (P) said that her lack of involvement in financial decisions when she was married made it difficult for her after divorce:

But it was very difficult for me when I moved out on my own again. I'd been with somebody for 22 years. You know, I didn't have to, I didn't really have to worry about managing money and if I needed something all I'd have to say was, "Paul, we need this or Paul, we need that." And when I moved out again I had to learn all over again how to do things.

Household Debt

Despite efforts to remain within their financial means, many respondents talked about debt problems. Debt, especially problem debt, can have important implications for families'

ability to save. In this section we discuss who had debt, what kind of debt, how they generated debt, and how they managed it.

Table 3.3 Contributors to Problem Debt and Poor Credit Ratings			
	IDA Participants N = 59 (%)	Control Respondents N = 25 (%)	Total N = 84 (%)
Credit card debt	22 (37.3)	6 (24.0)	28 (33.3)
Car loans	13 (22.0)	2 (8.0)	15 (17.9)
Student loans	10 (16.9)	4 (16.0)	14 (16.7)
Medical debt	10 (16.9)	3 (12.0)	13 (15.5)
Personal loans	5 (8.5)	2 (8.0)	7 (8.3)
Household goods	4 (6.8)	1 (4.0)	5 (6.0)
Back taxes owed	3 (5.1)	2 (8.0)	5 (6.0)
Home or home improvement loans	4 (6.8)	0 (0.0)	4 (4.8)

Source: In-depth interviews

Forty-eight respondents talked about debt. They talked the most about credit card debt (28), car loans (15), student loans (14), and medical bills (13), but other debt was also mentioned (Table 3.3). Of these, 29 said they currently had what they considered to be “problem debt.” Respondents defined “problem debt” as debt that was difficult to pay off or debt that they had fallen behind in paying.⁶ For example, Jill (P) said, “I have a school loan that is behind. And I have two credit cards that are behind. My van payment is 30 days behind. I just can’t get caught up. And when I do get caught up, something seems to happen and I get behind again.”

How Families Incurred Debt

In a few cases, respondents said that their debt occurred as a result of careless spending, poor decision-making, or mismanagement. More often, however, it resulted from being stretched thin financially and accumulating debt over time, often little by little. Sometimes a life crisis occurred that threw them into debt quickly. For example, a health problem in a family who lacked health insurance or savings caused a family to fall into debt overnight. Lenders’ fees and compound interest frequently added to debt, making it less and less manageable.

Large debt was often the result of health problems (25), divorce (16), and job loss (11). Health situations (including the death of a spouse) had serious financial consequences. Seventeen of the 25 with medical debt perceived of it as problem debt. For example, in a

⁶ Respondents put different kinds of debt into different categories. For example, we have already discussed the different perceptions between debt and “problem debt.” Neither of these categories includes home loans, which respondents did not even include when talking about debt. Mortgage payments appear to be thought of a bill or an investment, not debt. Further research is needed about how people think about and respond to household and personal debt.

story that was repeated by several respondents, Theresa (P) recounted how her family accrued major debt that led to her dropping out of the IDA program:

I don't know how we got into financial trouble. I really don't. But we got into real serious financial trouble. I think it started with medical bills. I think that's where it really started at . . . I remember my son being real sick and almost dying and he was in the hospital for a long, long time. And I remember the bills started coming in. Even with the insurance there was still like \$20,000 or \$30,000 we had to pay. And I think that's where it really started going—just downhill. We ended up taking what we had in the savings and still ended up owing balances on these bills. And it just seemed like it went from bad to worse. It really did. I mean, it got to the point where we borrowed money from my father-in-law on more than one occasion. And I'm talking about serious money like \$20,000.

Eleven (11) IDA participants reported medical debt of \$500 or more.⁷ Three (including Theresa, above) had medical debt of \$20,000 or more. Six had health insurance at the time the debt was incurred. For example, when asked if she had regular expenses that she could not cover, Janice (P) said, “In February I had a hysterectomy which my work insurance is now deciding not to pay for it. So, I mean, that's about, almost \$9,000 that I have to come up with that I don't have.”

Terry – The costs of medical care in a low-resource household

Divorce and medical problems have contributed to Terry's growing debt. Her recent divorce left her with many unpaid bills, and two recent surgeries compounded her debt situation. Altogether, she thinks she owes about \$90,000, an amount that doubts she will ever be able to pay.

I had two surgeries and then another time I was sick. And this was within three months. And I've got probably \$60,000 in hospital debt for those three stays and plus all the bills from before my divorce It's horrible. I've actually thought about filing bankruptcy because there is no way I can pay them.

She is worried that if her ex-husband files for bankruptcy first, the creditors will come after her for everything. Nonetheless, her ex-husband provides some child support, and she believes she is better on her own because he can not manage money.

⁷ Six controls also had unpaid medical debt, but overall their debt was smaller and more manageable. Controls mentioned making small monthly payments toward medical debt, but did not express any concerns over potential financial hardships. One woman filed for bankruptcy, but medical bills were only a part of her overall debt.

Sixteen respondents said that divorce contributed to household debt. Eleven viewed this debt as problematic. Jennifer (P) said, “My ex-husband stuck me with everything When the divorce was over, he didn’t pay anything. He just quit paying. They are still coming after me for everything.” Because he paid no child support, she was sure she would not be able to get him to pay any of the accrued debt.

Michelle (P) and her ex-husband generated debt during their short marriage. With only a low-paying job, Michelle was left to cover the debt:

I mean, the marriage was short-lived, less than seven months. But, all the things that led up to it, you know. I’d had a pretty firm grip on my credit cards and not been living exorbitantly with them, but then we put a lot of the wedding expenses on them, and the honeymoon, and were living a pretty high lifestyle after, for that seven months. So [credit cards] were pretty much maxed-out when he left. He’d asked me to quit my job a month after we’d got married ‘cause he didn’t want me gone at nights. And then five months later he was gone and I was living on maybe \$200 a month that I was gaining from cleaning house My built-up credit just went to pot. And then it was 3 weeks later he asked me to quit my job, so I never, I had never gotten to a point where I could pay them down. So it was just . . . I’m finally at the point now where I can write the credit bureau and ask them to take it all off. ‘Cause it’s been seven, almost eight years.

Many respondents turned to more borrowing and charging more on credit cards to help them through these difficult situations. Forty respondents said they had accumulated debt through the use of credit cards and 28 said that it had become difficult to pay back. Ian (P), for example, said they used credit cards when they did not have cash. As a result, “right now I [owe] about . . . \$13,000 in credit card bills. And I think this is the thing that really saps our finances the most. Credit cards are a real snare, you know.” Others turned to credit cards when they paid for large ticket items, such as durable goods, insurance, medical bills, and other necessities.

In a few cases respondents reported overindulgence as the main reason for accumulating debt. One respondent, Veronica (C), had 14 credit cards at one point, making it easy to spend too much. “I maxed them all out I don’t know what I was buying. I was buying giftsAnd it just started adding up and accumulating and I started looking at it, and I was like, ‘Where’s all this?’ And I was, like, so stressed out.” At the time of the interview, she was down to only two credit cards.

Sometimes debt accumulated because people did not fully understand the impact of interest and fee structures. Trish (C) said that earlier in her life, “I would just charge it. I never had that before. Oh, we can pay that \$50 a month payment. Well, you know, \$50 a month payments add up!” She said, “I didn’t know that it worked like that . . . I didn’t read the fine print on some of them. So, we wound up ruining the credit [record] that we had.”

Theresa (P) thought about her debt as a problem because it was growing larger, due to fees imposed by the lender. She had learned over time that paying only the minimum due on

credit cards leads to considerable debt: “It took learning that a slow-pay is just like a no-pay, as far as your credit report is concerned. Okay? So I tried to, sometimes I can’t meet my credit card payment and it’s a minimum. Sometimes I can’t even make the minimum. And then you get, because I can’t make the minimum, that means that the late fees are added on there.”

Job loss was a serious problem particularly when new jobs were not available. Of the 11 respondents who said that they accumulated large debt as a result of a job loss, all said that this became problem debt.

Managing Debt

Respondents talked about a number of ways that they managed their debt problems. Most used a variety of money management techniques (discussed earlier) to extract a little more out of their household budgets to pay debt. But many had to take more drastic steps, including attempts to limit their use of credit cards and budgeting to rein in and pay down their debt. However, once debt was beyond their control, they turned to debt consolidation and bankruptcy. Some pursued these strategies with the assistance of credit counselors (Table 3.4).

Table 3.4 Managing Debt Problems*			
	IDA Participants N = 59 (%)	Control Respondents N = 25 (%)	Total N = 84 (%)
Limit credit card use	13 (22.0)	10 (40.0)	23 (27.4)
Exceed minimum payment / Avoid finance charges	8 (13.6)	5 (20.0)	13 (15.5)
Declare bankruptcy	7 (11.9)	5 (20.0)	12 (14.3)
Consolidate debt	7 (11.9)	1 (4.0)	8 (9.5)
Plan and budget for debt reduction	5 (8.5)	3 (12.0)	8 (9.5)
Seek credit counseling/Write to credit bureau	7 (11.9)	1 (4.0)	8 (9.5)
Use tax returns to pay down debt	3 (5.1)	2 (8.0)	5 (6.0)
Seek family assistance	4 (6.8)	0 (0.0)	4 (4.8)

* Not mutually exclusive categories.

Source: In-depth interviews.

Limit credit card use. Most respondents (23) dealt with debt by limiting the number and use of credit cards, including five who said they chose not to own a credit card because of current or previous debt. As Michelle (P) observed:

If you got the money in the bank and you have an interest-bearing checking account, then if you use the credit card and pay your balance in full every month before it cycles and charges you interest—then you can actually make money by using a credit card. But I believe that credit is a huge trap, and just puts people under bondage. I won’t carry one again. Unless I have the ability to do that I’ve been offered one several times in the past few months and I just tear them up and throw them away.

In an effort to avoid getting into uncontrolled debt again after filing for bankruptcy, Richard (P) said he had only one credit card:

Before that time I probably had several credit cards, department stores—maybe five or six different ones. At this time, after the bankruptcy, I only have one. And I only choose one and I don't want to get back into that situation again. So ever since then I've always only had just one. One credit card, that's all.

Anne (C) had worked their way out of debt and avoided credit cards as a result of that experience:

As a matter of fact, we had a credit card come in the mail and my husband said, "Oh, we don't need this, you know." So, we disposed of it. So we don't, we know from past experiences from being in trouble with debt, not to let that happen again. As a matter of fact, I have a bankruptcy on my record now because of past debt. So I've learned from all of my mistakes and it won't happen again as far as I'm concerned. God willing anyway, it won't happen again. We are very careful.

But many respondents said the credit cards kept coming, making it difficult to resist using them. Michelle's (P) experience was typical:

And once Shell Oil gave me a card, then boom, boom, boom, boom, boom! I had 10 more within two months. 'Cause once you get on one credit thing, they all want you. And that's probably one of the hardest lessons I ever learned in my life. I have made a quality decision that I will never again carry a credit card, except for to use as a tool financially.

David (P) said that even with bad credit, he received a credit card:

My credit is shit . . . Except, lo and behold, a month ago I filled out an application. They mailed me—you know how they always mail you those applications? You are already pre-approved? So I sent one in for a MasterCard, just, I just felt funny about it, and I sent it in and they sent me a MasterCard back with a \$200 credit limit!

Exceed the minimum or avoid finance charges on credit cards. Thirteen respondents said they paid more than the minimum on their credit cards or always paid on time to avoid finance charges. They were trying to erase their debt. As Lois (P) described, "All I need to send them is \$14 a month but I usually don't. I send them what I can—\$75, \$50—you know, 'cause I want to hurry up and pay it off. If I send them that little amount like they want me to I'll be forever paying them off."

Declare bankruptcy. Twelve respondents had filed for bankruptcy in the past and five others were considering filing for bankruptcy in the future. Respondents spoke about the lingering repercussions of bankruptcy. For example, Becky (C) said that she expected to be penalized with higher interest rates if she wanted to borrow: "I don't want to even think about trying to get a loan right now because they'll try to give me some high interest rate."

LaVonne (P) said that she went into debt “just not having enough money to meet all my needs.” She turned to credit cards to make up the difference, but, according to her, “it turned out to be another trap.” Having resolved her debt through bankruptcy, she said, “I have not gone back to those kinds of things.”

Five respondents were actively considering bankruptcy as a way to alleviate their debt situation. For example, Jennifer (P) was considering bankruptcy after being left with high debt after her divorce. Compounded interest on one of her unpaid credit card bills of \$2,500 meant that she owed much more. “I couldn't make the payments and they started adding fees to the point that I wasn't really—it's like \$5,400 right now.” But she also had others:

Let's see, a Master Card that's like \$2,400 and that one's up to about \$4,900 something right now. And then I have a Visa that was a \$500 card, that one's up to like \$998 right now. And then I have an Amoco card that was like \$300, and that one's like \$450 or something right now. And, now see, the Master Card and the Visa, most of that was charged up by [my ex-husband].

Others also had significant debt that had led them to consider bankruptcy. For example, Terry (P) had accrued high medical bills and was considering filing for bankruptcy:

Debt, oh yeah. I've recently been in the hospital for two surgeries and then an illness And this was within three months. And I've got probably \$60,000 in hospital debt for those three stays and plus all the bills from before my divorce. They just—it's horrible. I've actually thought about filing bankruptcy because there is no way I can pay them, especially if my ex-husband files bankruptcy first, then they will all come looking to me. So, I just can't do it, there is no way.

Trish (C) was considering bankruptcy due to tax liens: “So, once we save up the money, we are gonna just file bankruptcy on them to get them off of our credit. 'Cause you can't do anything with the IRS lien.”

Consolidate debt. Eight respondents consolidated their debt into one payment as a means to manage debt and reduce liability. Mark (P) gave a detailed account of how debt consolidation worked for him:

Basically, take all of our, you know, we took all of our credit cards, all of our—what else do we have? You know, loan payments and stuff like that Call all of the different places, and ask, "If I pay this off right now, what would the balance be?" And get a check from the credit union for that amount and paid everyone off. And then I only have one payment every month to the credit union. And the interest is a lot lower that way So it saves money and it's not going ten different places. It's just going to the one.

Claire (P) did her own debt consolidation using lower interest rate offers:

What I did, I had a friend tell me that you could get the 2.9 [annual percentage rate] and that is what I did with my \$3,000. I took it from 9.9 percent put it on my 2.9 and tried to get it paid down and I can open another account and switch it over That 2.9 right now, that is about to run out and so I put it on another credit card It is kind of confusing, but I just closed out about probably seven cards and consolidated all of them to one. Most of them I didn't owe anything on, but the ones I did, I've gotten all but one of them paid down.

She said that the credit card companies wanted to know why she was closing her accounts, and she told them she was consolidating her bills. "And they all wanted to know what they could do to keep me. I'm like, 'No. I want to get all these things cut up.' And it was pretty cool cutting them up. It wasn't where I was ever out of control, but I could very easily get out of control."

Plan and budget for debt reduction. Eight participants adopted a budget plan to help them pay on their debt. Grace (P) described how she dealt with her student loan:

I would set money aside and I'd mark a date that I wanted to have that paid off . . . and then I would get it paid off by then by doing that. Setting a buffer for myself each month. So, but this started after I started bookkeeping. The lady who I work with is the one who helped me set all this stuff up.

With \$9,000 in debt, Fred (P) developed a budget with his wife that assigned one paycheck to their household expenses and one paycheck to pay down their debt:

I paid it off in six months. What we did is this We wrote them all down, added them all up. I think it came to eight thousand and something dollars. "I tell you what we gonna do." I said, "We gonna live off my check and there will be nothing borrowed but the building." Tough, tough times for eight months. "We're gonna take your check," this is, I'm talkin' to my wife, "And we gonna pay all these bills off, we gonna." That's how we got out of debt, if you want to call \$9,000 a debt. That ain't no debt to me. But, the key was trying to straighten up the credit.

Brad (P) budgeted debt payback over a period of 10 years. In the process, he taught his children about financial management:

Well, we just figured out how much money we had to have. And then divided it by the number of years that we were willing to push that hard for it. Now that's done. That's behind us. And that's one thing I've tried to teach the children—compounding interest is an amazing thing. It can work against you or it can work for you.

Seek credit counseling. Eight respondents spoke about writing to the credit bureau or using consumer credit counseling to assist with debt problems. Jackie (P) said that consumer credit counseling was very helpful: "[The counselor] told me about how I could make an offer of a certain amount. They helped me with the 'legalese' of the letters that I

had to write to these people. In fact, they wrote them for me. They taught me how to read my credit report and how to dispute it. They helped me a lot.”

Reggie (P) observed that consumer credit counseling was helpful and they helped him pay on his credit card bills. However, he said he is “not with them anymore,” because he does not have the money to pay on the debt: “You can’t go to credit counseling unless you have money to pay for these credit cards every month.”

Uses tax return to pay down debt. Three participants and two control group members used their tax return to pay off debts. Tonya (C) said, “And then the money I get back from my tax refund I was planning either putting that towards my car or towards my loans—Probably my car since it’s the higher interest rate.” Jill (P) uses her tax return to pay off accumulated debt from the year:

I have a school loan that is behind. And I have two credit cards that are behind. My van payment is 30 days behind. I just can’t get caught up. And when I do get caught up, something seems to happen and I get behind again . . . I stay behind almost all the time. It’s not until taxes come back in that I will get caught back up.

Seek family assistance. Four respondents said that they turned to family for loans or gifts to help them pay their debt. Mark (P) said his parents were there for him when he was in trouble:

I’m kind of embarrassed to say that, but that’s how I felt . . . They’ve always found a way to come through. And they haven’t always been able to say, “Don’t worry, we’ll just take [care] of this,” because they don’t have that kind of money. But it’s been a stretch for them a couple of times. But they’ve always done—they’ve always bent over backwards to try to, you know, help us out, even if it’s just helping us consolidate our bills, or do something like that.

Sylvia’s (P) mother, her “helping hand,” bailed her out by lending her \$1,000 to cover the children’s school clothes:

Usually she’s been my helping hand if I—like last year when school clothes time came and I was fixing to start teaching and I had quit my job at the YMCA and I had no money at all. I wasn’t gonna get a paycheck until September 10th. You know, school started in August and I was like, “Okay . . . How am I gonna buy school clothes?” And she had a credit card that she had not used at all. So she said, “Well, do you want to use this credit card? Just borrow \$1,000 on it.” And she said, “We’ll just do it like that.” She said, “I’ll go get \$1,000 and you pay me back \$100 a month.” So that was a blow that I had. And that’s been paid off. . . . She’s been my helping hand whenever I need it.

Grace’s (P) parents were anxious for her to finish her education so they helped her pay her debt so she could re-enroll in school:

They just actually help me pay off my school. And that is the first time they have been able to help me in a few years. That's why I am going back, is because I owed like \$1,500 toward school, before I could go back, you know. And so my mom really wants me to be back in school so she paid it off for me finally.

Building (and Rebuilding) a Good Credit⁸ Record

Respondents talked about their credit ratings. Some said they were trying to build a credit record. Others who had debt problems talked about their efforts to rebuild credit. Thirteen respondents said they had a poor credit rating, including Fred (P), who had paid off his house and accrued savings but was still battling a poor credit rating after six years:

I've been banking at the Bank of Oklahoma for over six years and have several CDs in there and everything, got my house paid for, try to take me a loan out against my home and they wouldn't even give it to me. Not 'cause the collateral wasn't enough. They said that my payment history was too bad.

He cautioned his children, "Don't mess up your credit 'cause I guarantee you. It's easy to mess up, but it is five times as hard to straighten it out!"

Similarly, David (P) still felt the stigma of bad credit seven years after declaring bankruptcy:

You know, I understood bankruptcy was supposed to be written off in seven years, but I guess not. So we've learned to live without credit. And we learned to live with it by doing without the things that credit buys you. OK. We save money. My wife saves cash at home.

And Sylvia (P) said she was still fighting a poor credit rating after filing for bankruptcy 10 years ago. They bought a home and then her husband lost his job, they went into default and filed for bankruptcy. She said, "That was a nightmare. And I'm still fighting that on my credit."

Rebuilding Credit

Ian (C) said it is possible to rebuild credit. Seven years after bankruptcy, he had repaired his record. "I'm back able to manage credit cards and have an account and my credit is good—excellent now."

In their comments about credit, respondents were particularly concerned about establishing and maintaining a good credit record. Thomas (P) remarked, "I don't want any black marks

⁸ Credit, according to the Federal Reserve, is "The promise to pay in the future in order to buy or borrow in the present. The right to defer payment of debt" (Federal Reserve <http://www.frbsf.org/tools/glossary/glossReg.html#C>).

[on my credit record]. You know, you know this whole game is about credit. And you've got to have credit to make money."

Fourteen respondents reported that they had good credit records. Kimberly (C) explained how she used credit, but stayed out of debt: "We are not in debt, but we do use credit cards because it is just easier, you know We always pay right when we get the, you know, bill." Sam (P), despite credit problems in the past, had good credit at the time of the interview:

When I get my credit reports every once in a while it don't really show up that bad because I've made up for it They would just tell me it would probably take a couple of years of good credit to wipe it out, and it did. You know, paying on my house wiped it out. And then it still shows on my record, but I've got good credit now. I've got "A" credit. Good "A" credit is what they call it now.

Eight respondents talked about building credit. Some reported paying off their credit cards before the due date. For example, Rosi (P) said that after going through a period when she could not pay her credit card bills, she now pays them regularly: "I already have it budgeted So, when the statement comes, I have the money then and I issue the check."

However, for many respondents it was not easy to build a good credit record. Young respondents, for instance, said it took time to establish credit. Denisha (C), a 20-year-old, discovered that "no credit" is like "bad credit."

With me being young, I have to establish credit. I don't have any credit right now. So that's like bad credit. So, I have to establish credit. Maybe get a credit card or something like that. But I think I be better off about five or ten years. I think I be, I'll be where I want to be in life.

Victor (C) and his wife, Esperanza, who were second generation immigrants, had always paid for everything in cash. As a result, they did not have a credit record when they wanted to borrow to make large purchases. In order to get a car loan, Victor had a lien put on his savings account.

Victor: I have never owed people any money. Usually I would pay everything in cash in order to not get into debt. But when I moved out here, and we started getting serious about buying a house, she was the one that told me that we needed all that. We needed a little savings account, and we needed a checking account.

Esperanza: That's right. That was our motivation. When you buy a house you to have to have good credit. And to establish credit, you have to have a checking and a savings, you know, and a good name, a phone in your name, blah, blah, blah, and all that stuff. So I told him we have to do it, and we did.

Theresa (P) had applied for several credit cards in order to build up her credit, but unfortunately, she could not always cover the payments on her credit cards. This suggests that she was adding to debt instead of building a good credit rating.

Debra (C) and her fiancé had built some credit, but not enough to meet the standards for a home loan:

He's got good credit from that [a truck loan]. And we just needed more. And I don't have any credit cards. I don't believe in them. I'd rather pay cash. So we had to contact the utility companies to get credit reports from them. And now since we have them, we're gonna go and try to buy the house.

Financial Instruments and Services

In interviews, we asked respondents about how they pay their bills and where they save their money. Seventy-five respondents talked about using at least one type of formal financial services. Sixty-two respondents said they used checking accounts (including three with ATM services and nine with direct deposit capability), 38 owned savings account (not including IDA participants' IDA account), and seven used electronic and other alternative financial services, such as ATM, automatic debit, money orders, check cashing, and payday loans.

Table 3.5 Financial Instruments and Services Used by Respondents			
	IDA Participants N = 59 (%)	Control Respondents N = 25 (%)	Total N = 84 (%)
Financial Instruments			
Checking account	43 (72.9)	19 (76.0)	62 (73.8)
Savings account	28 (47.5)	10 (40.0)	38 (45.2)
Credit cards	31 (52.5)	12 (48.0)	43 (51.2)
Electronic Financial Services			
Direct deposit	6 (10.1)	3 (12.0)	9 (10.7)
Auto-debit	1 (1.7)	3 (12.0)	4 (4.8)
ATM/debit card	3 (5.1)	0 (0.0)	3 (3.6)
Alternative Financial Services			
	7 (11.9)	0 (0.0)	7 (8.3)

Source: In-depth Interviews

Checking Accounts

Most respondents (62) owned a checking account. Checking accounts were useful for depositing paychecks and were less expensive and more convenient than other ways of managing money. Camille (C) realized she could be earning interest if her funds were in a savings account, but found a checking account to be more accessible:

All I have is sitting in my checking account where I can go get it if I need it . . . I usually maintain \$200 or \$300 monthly in my checking account. So I can go back if something happens and write a check And you know, it's really a stupid thing . . . because that sitting over in savings could be drawing a little bit of interest, whereas in checking I'm not drawing any interest. I'm just writing it out, writing it out. And I like to see a big number in my checkbook.

Similarly, after paying her bills with money orders for years, Laura (C) opened a checking account with the help of bank staff:

So I opened up a checking account. That way I could just, you know, and it was time-consuming to go get a money order and then go pay your bill. So I got a checking account. That way I can just sit at home once a month or you know, whenever a bill comes due—write out a check, stick it in an envelope, put a stamp on it and mail it. It's so much easier to do it that way.

But one quarter of respondents did not use a checking account, including seven who had owned a checking account in the past but did not at the time of the interview. Some said that checking accounts made them apprehensive. For many years, Rose (P) had never had an account and was “scared” of them because she did not understand how they worked. But her husband opened one, and after he died, she learned how to manage it:

Now, I just love it! But, at first, I didn't want nothing to do with it, and so when he died, I just went on and checked up on it, you know, whatever I could about savings and checking, cause I had kind of got into it then. He wasn't here, and I had to pay the bills and stuff. I did the checking account myself. It's pretty neat.

Nine respondents discussed difficulties in managing a checking account. Some problems had to do with rules (e.g. transaction fees) and others reflected low incomes and high expenses (e.g. overdrafts and penalties for low balances). Jennifer (P) did not have a checking account because of the fees. She had recently moved, and despite having an IDA account in the Bank of Oklahoma, she kept her money in her old bank in a different state: “The reason I kept my account [there] for so long was there were no fees. I refuse to pay \$3 to have a checking account I haven't found an account that's free here yet.” Trish (C) understood the benefits of a checking account, but closed hers because of a cluster of overdrafts:

I did open a checking account because I realized that when I went to get credit at places, they wanted a checking account. So that made me open a checking account And then with [her husband] doing construction, when it came time to pay the bills, I would just pay the bills and he would deposit the money in my account. Well, a check didn't come when it was supposed to, and so I wound up having all those checks hit the bank. And I was just devastated at just how much—\$20! \$20 per check! . . . We paid hundreds of dollars in check charges that just killed me. And I thought, “No more.” So I closed out my checking account.”

Savings Accounts

Thirty-eight respondents had savings accounts outside of IDA accounts. Although savings accounts were most often used for the purpose of saving money, five respondents also used savings accounts for other purposes. Respondents opened savings accounts in order to open a checking account, facilitate check cashing, purchase a car, facilitate loan acquisition, and build credit.

Some control respondents talked about why they did not have a savings account. Requiring a minimum deposit prevented Kimberly (C) from opening an account at her credit union “. . . because you need that initial—you know, how most banks you need an initial, like one to three hundred dollars to start a savings.” But when told that there was no initial amount, she opened an account “. . . like within the next week . . . whatever we could do, we’d put in there. It wasn’t much, but it just got us thinking, you know what I mean? It was just a motivator for us.”

In the past, Kathleen (C) could not keep a savings account open because she was constantly overdrawn on her checking account and the bank would draw funds from the savings account to cover the overdrafts. She was discouraged by her inability to save:

I’ve never really had a savings account. And any savings account I’ve ever had got closed because you have to have at least \$50 in it to open it and I’d have the checking. Well, my checking would get like overdrawn, you know, so they would take the money out of my savings, which would close it out. Every time. I never had a savings that lasted. Right now I don’t have a savings at all. I don’t even want to try. I’m so tired of—I know the money will be taken out.

Terrell thought it was easier to save at home because it added up to so little and it was readily available.

I really don’t need a bank because I don’t have that much money to put in a bank. Once I get, you know, enough money and I just can’t hide it . . . in my house—then I feel like I can put it somewhere in the bank. But just the little money that we been working with over the years—me and my wife—I feel like I could save better myself.

Elizabeth did not save in a savings account because the interest earned was too low to be worth the effort.

Saving in the bank doesn’t work ‘cause the amount they pay back on that money you have there is just not a whole lot. You have to get into the big arena in investing and stuff like that, even if you start off small, your money can work more for you. – Like the stock market. That big, what can I call it? That big giant. That Wall Street giant, that’s the place.

Credit Cards

Forty-three respondents, including 31 participants and 12 control respondents, discussed credit card use. They said that credit cards were convenient and some said it prevented them from having to carry cash.

For some, credit cards were used to establish and build up good credit. Becky (P) recognized the value of the credit cards but at the same acknowledged that they can “get yourself in trouble:”

And so, I mean I don't know. I've done things just, like, to build my credit. I've got two credit cards now and I pay them every month before the due dates so I don't have any interest Believe me, I know what that does, and I know what it does it you're late, or over the limit. You can get yourself in trouble.

Ten respondents stated that they did not use credit cards. Of these, five did not use them because of prior debt, and four had never used them at all. For example, Jake (C) never used credit cards because he observed his father's difficulties in paying his credit card bills:

I saw what the credit cards did to my dad, so I won't ever do that My dad just worried about money all the time. He'd have that credit card and if he'd need something he'd you know, he wouldn't think. I mean, as a police officer, you got a lot of people give you credit 'cause you're a police officer. I know it might sound odd, but when my dad was a police officer if he needed money, banks would loan him money And once a month he'd close his door and boy, you didn't want to go in there So no, I don't have any credit cards.

Electronic Financial Services

Direct deposit. Twelve respondents reported using direct deposit to make contributions into their checking or savings account. At least nine reported using direct deposit as a saving strategy including a few who were making direct deposits into their IDA.⁹

Direct depositing transfers wages and salaries directly from a person's employer to the employee's bank. In the case of IDAs, an employee's wages or salary is electronically transferred to the bank and the bank automatically deposits a portion into the participant's IDA account.

To set up direct depositing, the employer must offer direct depositing and the participant must also fill out authorizing paperwork with both the employer and the bank. The advantage of direct depositing is that participants do not have to decide to make a deposit every month. It is done for them. As Linda (P) pointed out “I always put the \$10 a month [in] because it is automatic out of my check.” Moreover, she would have to go out of her

⁹ However, establishing direct deposit capability was not a part of the IDA program.

way to change the arrangement: “I couldn’t stop it unless I filled out a lot more paperwork.”

Automatic debit services. Four reported using automatic bill paying, and one discussed using Internet banking to manage her finances. Veronica (C) switched to automatic bill pay to help her pay bills on time. Remembering to pay bills that came due only once every few months was difficult: “It was hard for me to do, to pay those ones that will be due every three months. I’d get all crossed up. So I let them take it out monthly.”

One respondent, Shannon (C), said that using the Internet to track her check balance, along with direct depositing her paycheck, and automatic debit for bill payment, facilitated her financial management. Although Shannon had to switch banks to begin using direct depositing and Internet banking, she found it very helpful: “I just go in, I look and I can see what’s taken out, and if I think I ought to have more money than that, I can go in and check and realize that, yes, I did spend that much money and there is where it went. And it has helped me kind of realize where I spend money Because I actually look at my account, where I didn’t before.”

ATM/Debit card. Three people talked about using Automatic Teller Machine (ATM) or debit cards because they were convenient. Pat (P) said that instead of writing checks, she withdrew money and paid in cash. “I love my ATM card and I’ve used it, like, at a drugstore for pharmacy and things like that. Yeah, sometimes it’s easier than writing a check.” She said she uses “a 24-hour thing where I call every week and make sure that what I have is what they have” to keep track of how much she had withdrawn.

Sonya (P) talked about the convenience of having a debit card:

At my other account at State Bank, I have it because, well in a lot of cases, it’s just a little bit more convenient. There’s more branches for one thing. I can use that debit card. . . free of charge, you know, there is no charges in it or anything and it just comes right out of your checking account. And I really use that a lot ‘cause, well, you know, some places don’t take checks. Some places don’t take Visa, so it’s good if you have both now, you know.

Alternative Financial Services

Seven respondents, all of whom were IDA participants, reported currently using alternative financial services, including check-cashing facilities and payday loans. For example, Lois (P) said she was “not good with checks” so she generally paid her bills in person with cash or with money orders:

I’m not good with checks though. I don’t like checks at all ‘cause it seems like the bank just take your money. You know, with the charges and this and that and, I don’t know, I just don’t like banks. Not at all. I’m not good with that. I go around town and pay all my bills, you know, or get a money order and pay it off.

Laura (C) said that until she was 24, she used money orders to pay bills because she was worried about fees. (She had switched to a checking account two years prior to the interview.) She did not know how to use a checking account, and she was also wary of them because a friend had bounced a check and been charged a lot of money in fees. Instead she saved cash at home and used this money to purchase money orders:

I'd get money orders and pay my bills with it. And I had a little stash at my house that I would put money in every week to save for rent and bills, you know, what have you. And when it came time for something due, I'd just pull some money out of it and go get a money order and go pay it.

Unfortunately, alternative financial services such as check-cashing outlets often charge exorbitant interest rates and incur further financial difficulties. LaVonne (C) described her negative experience with alternative financial services that set her back financially:

I had a lot of, I had gotten involved with these people they, they are just total crooks and I don't know why people don't know about them. But it's what do you call, post-dated checks. You go in, you post-date a check for a certain amount and then they put the interest on. And then you can't ever just pay a portion of the check, oh, I'll just pay it off and pay it off. No, every month you have to pay, you pay the check off but you've got to rewrite it because you need that money. So you never get away from them. And what happens is, it just keeps building and building until you just got a whole big bill here. And so I had about four or five post-dated check people that I dealt with. And I could never pay them off, I could never get those checks covered because I had to have the money right back. And then I had a couple of credit cards and stuff like that. And I had loan companies downtown, you know, where you just took loans. And I had about five of them. So I, I had to just, I had to do something.

Discussion

Families in this study faced constant financial challenges. Their monthly household budgets were dominated by basic expenditures that frequently added up to more than their monthly income. They discussed the high cost of raising children and the difficulty of covering unusually high and unexpected expenses. Falling into debt was a constant fear and often a reality.

For many, spirituality played an important role in keeping perspective on what is important in life. For some, participation in religious institutions was a significant financial obligation (through tithing) that they were willing to make because of their beliefs. This investment represented an important way to practice their beliefs and to insure their wellbeing during their lifetimes and beyond.

When making financial decisions, households regularly distinguished between day-to-day choices and decisions about larger purchases. For most couples, whoever pays the bills is most likely to be making day-to-day decisions (often the woman), but bigger financial

decisions are more likely to be made together or by the male partner. According to some divorced, separated, or widowed women, this created a steep learning curve for them as they adjusted to making all financial decisions themselves.

Participants in the IDA program and control respondents talked easily and openly about strategies they used to manage household finances on a low income. Generally, when finances were tight, respondents paid bills according to their importance, the due date, income flows or according to which bills could be delayed. They tried to be economical about their purchases and cut back on their expenses. If they had to, they borrowed or negotiated their bill payment with vendors. They sometimes worked more hours or moonlighted on another job, used savings or their tax refunds or bartered and sold things.

Many families accumulated debt, sometimes as a result of careless spending, especially overextending credit cards, but more often from slow accumulation of debt. Problem debt usually resulted from crises, including health problems, divorce, or job loss. Small amounts of debt could be handled using the household management strategies, but when debt grew too large, families turned to more drastic measures such as cutting up their credit cards, seeking credit counseling, or filing bankruptcy.

Establishing a good credit record was definitely a concern for many of the respondents. Depending on respondents' situation, they were more concerned with how to establish a credit record or how to repair a poor credit record.

Most respondents were familiar with formal banking, using credit cards and savings accounts to pay their bills and save money, although in some cases this was a relatively recent development. Some were transitioning to electronic banking instruments. Relatively few used alternative financial institutions.

Relatively sophisticated understanding of financial management techniques, the importance of reducing debt, having a good credit record, and high levels of formal banking is likely a result of selection bias and participation in the IDA program. It is also possible that prior research interviews and "contamination" between control respondents and IDA participants may explain relatively sophisticated knowledge of financial management among controls. However, interviews underscore the long-term challenges of managing finances and strategies for making ends meet on low incomes among families in both groups.

4. Individual Development Account Program

Well you've always got some doubts. Still even after I talked to [a staff member] you know, I was like, "Well, we'll wait and see if they actually start putting the money into the account, but I figured at least \$10 a month . . . I wasn't losing nothing. I was just opening an account was all it was. And then once they started putting money in it was like, "Hey, OK." It must be legit. –Sam (P)

This chapter explores the IDA program from the perspectives of the 59 participants, describing how they learned about the IDA program, why and how they enrolled, and their activities once in the program.¹⁰

Program Legitimacy

Because IDAs were relatively unknown at the outset of the program, program legitimacy was a major concern for potential participants. Even after they made initial inquiries, participants had to meet eligibility criteria and be selected into the program.

People found out about the IDA program in different ways. Some learned about it from CAPTC while using their other services, such as the tax-filing assistance program. Others picked up flyers in other agencies and organizations, such as day care centers or heard about the IDA program from the media or friends and family members. Several mentioned hearing about the IDA program several times before making inquiries.

Some people immediately thought that the IDA program was a good deal and rushed to apply. As Janice (P) said, "I read it and I thought that was a really neat idea and I got into it as soon as I could." Reflecting the large number of devout respondents in the same, some interpreted the opportunity presented by the IDA program as a sign of God. Rose (P) said: "All these other things, God was taking care of me, even getting me in this program." Fred (P) saw the IDA program as a blessing from God. In receiving the flyer describing the IDA program, he described his reaction:

He sent it right to the doorstep. I says, "I'm filling this out and sending it right back right now." I says, "It's a blessing from God." That was my first intention, my first thought when I read it. I said, "God has blessed me again."

Others (like Sam above) had initial doubts about the legitimacy of the program. Wary of the promise of matching funds, Lois (P) assumed it was not bona fide: "I thought it was a lie . . . I thought that maybe it was a trick, they want to match your funds. And then I thought they want to get all in your business." In the end she thought, "I don't have nothing to hide. So I'm like, hey! If they want to match my funds, that's fine." Roxanne (P) assumed that there had to be a hitch. She said staff told her they had a lot of problems recruiting "because there were so few

¹⁰ Unless otherwise noted, all respondents discussed in this chapter were IDA participants.

strings attached that [potential applicants] were thinking, ‘Okay, there’s gotta be . . . something going on.’”

Yvonne (P) sounded the same theme, illustrating the challenge of allaying suspicions and convincing people that offers of matched money are legitimate:

People haven’t always gone [to apply to participate], which I couldn’t believe, because they were suspicious because they couldn’t believe the money was free. And they just couldn’t believe that . . . there was free money.

Similarly, Natalie (P) thought people hesitated because they “just didn’t understand.”

They couldn’t believe that you were gonna get something for nothing, is basically what it is. They couldn’t believe free money. They couldn’t understand that. They still, they couldn’t get in light of that, it’s a catch, they thinking it’s a catch.

Even some people who were familiar with the sponsoring agency, CAPTC, were skeptical. Mark (P) had received services from the agency in the past, but nevertheless, he had initial misgivings about the IDA program: “I’m a little skeptical anytime somebody says, ‘We’re going double your money.’”

Source of Information

Despite Mark’s skepticism, the source of information appeared to make a difference to him and to many others. Hearing about the IDA program from a source with no established reputation seemed to be “hit or miss.” Some people responded, but it is easy to imagine that many more did not. Steven (P) drove around with the flyer he picked up at his school’s student aid office for a few days before calling for more information: “I threw it in my car and I drove around with it for a day or two and then I picked it up again and I read it some more and I think I called a 1-800 number on there.”

Hearing about it from the tax assistance program at CAPTC, as Brad (P) and 17 others did, conferred more legitimacy than a flyer or brochure:

I first started going to them to do my taxes ‘cause when, you know, there are so many tax things I don’t know anything about. That’s where I first went to them and they said, “Hey, did you know we’ve got this and that?” And most of it I wasn’t interested in. But then they talked about this IDA program and that kind of interested me. And I just went in and talked to them and, you know, it was a for-real deal.

But this did not convince everyone. Even though David (P) had received assistance from the tax service in the past, he remained doubtful and had to be convinced. Willing to submit the initial paperwork, he was not quite ready to enroll without persistent encouragement from CAPTC staff:

While I was waiting for my taxes, I read this pamphlet. And I’m thinking, this is b.s. man . . . Who is gonna give me a dollar for a dollar, you know? And then I was real

skeptical. But I went ahead and filled it out. And they did my taxes and they saved me more money And so I filled the form out with the IDA. And even then I turned it in . . . they would call me and I'm like still skeptical. I'm like, "No, no, yeah, I'll get over there. I want to do it, but you know, I don't know when." They kept pursuing me. If it wasn't for them pursuing me, this never would have happened because I would have blown it off just thinking in my mind, "This is a joke, someone is tricking me, no one is going to give me the money." And then finally I went down and they convinced me.

Others heard about the program from friends or family. For example, a friend told Stephanie (P) about the IDA program, and so she went and applied. Heidi's (P) mother faxed her some information and encouraged her to sign up. Ian (P) decided to join after encouragement from his neighbor: "I heard about it and then procrastinated for a little while. And my neighbor was in it for about a year and then he brought home some forms for me to fill out and then I filled them out and was accepted."

Hearing about the program through other trusted institutions reinforced its legitimacy. Two examples suggest that people may be more trusting if they hear about the program from their church. Roseatta (P) said that she received a flyer from "a missionary in our church. She was talking about it and I think somebody laid some papers on the table at church So my husband picked up and took the papers and filled them out."

IDA Staff

The perceived attitude and integrity of staff was also important. For example, despite her initial skepticism, Sandra (P) said "dealing with the people at [CAPTC] convinced me finally that they're honest people." Grace (P) said a staff person "sat down and explained to me, you know, that they were doing this . . . and 'No, there is no catch to it, this is what the bank does.' And I said, 'OK'."

Once people attended the first meeting or talked to staff, they appeared to be convinced. Jackie (P) was assured when staff members answered questions in a straightforward manner:

Number one, I had never heard of anything like that before. And so I wanted to test the viability of it. I called and talked with somebody who answered my questions. You know, I mean, if they would do this, where would the money come from? How reliable is it? How long has it been going on? So I was satisfied with the information I got and I decided to give it a try.

Reciprocal Expectations and Responsibilities

Reciprocal expectations and responsibilities also helped to convince people that the IDA program was legitimate. Participants discovered, for example, that the money was not totally "free." Mark (P) explained that his initial skepticism eased when he found out that there were expectations of him. The program's sponsors and the research requirement convinced him that it was legitimate and not just "free money:"

The lady that explained it to us, basically there's different companies financing this, and it's like this big educational government foundation. It's a research project, you know. And you have to answer all these questions and you're going to be interviewed in two years, in five years. So, that made it seem more legit. I was like "OK." So it's not just free money. I mean I am going to have to go to these classes, and I'm going to have to answer questions, and they're going to keep tabs on me for the next two years. And there's all these forms to fill out every time I spend the money and justify what I do with it all that. And I thought, "Okay, I can buy that."

Eligibility

Interested individuals were instructed to bring in their prior year's tax form and employment information. A computer selection program randomly assigned them to either the participant or control group and a letter was sent informing them of their assignment. For IDA participants, attendance at two money management classes was required before an IDA savings account could be opened. The participant had to deposit at least \$10 to activate the account. Further, they were required to deposit \$10 per month for a minimum of nine months out of the year. Deposits were to come from participants' earned income.

Participants discussed establishing their eligibility, their selection or rejection for the IDA program, the initial research interview, the classes, and opening their account. Many participants remembered and described the process step-by-step.

Some were surprised—and pleased—that they were eligible for the IDA program. Pat (P) said, “I wasn’t making very much an hour and I qualified [for the IDA] . . . I didn’t think I would qualify, but I guess because I’m a single mom, there’s not two incomes coming in, and so it worked out real good.” Theresa (P) was pleasantly surprised that she was eligible for the IDA program, because her experiences were not usually so positive. “For some reason everything that I try to do is either I make too much money, you know, something that you can’t possibly fathom.”

Underscoring the dynamic nature of poverty—and perhaps a potential drawback of basing program eligibility on the somewhat arbitrary poverty line—three people said they qualified because their incomes happened to be low enough in the year they applied. Michelle (P) figured that she qualified because she only worked part of the year. Linda (P) said she had recently started a job making \$10 an hour. The prior year when she qualified for the IDA program she worked “30 hours a week, making \$7.40 an hour and going to school.” She figured “if it would have been the next year after that, I wouldn’t have qualified at all.” Yvonne (P) thought that if she had not been sick and going through a divorce that year, she may not have qualified.

Steven (P) and his wife just barely qualified for the program. Their income was relatively high because he worked “six days, sometimes seven days, all last year.” He was only \$10 under the cut off for eligibility: “If I’d have made one more hour of work or something I wouldn’t have made it. I wouldn’t even have been able to call. So I just barely made it under the wire.”

Selection into the IDA Program

Because the IDA selection process was random, there was a feeling of having been "chosen" or "lucky" among those who had been selected. Some participants heard from staff that they were one of the "lucky" ones. Pat (P) was told, "You're one of the lucky ones because there are a lot of people who don't get picked." As a result, some participants may have felt special, which may have motivated them to try harder in the program. As Theresa (P) put it: "I thought, 'OK. Maybe something good is starting to come my way now.' So I took being accepted in the IDA as a positive boost for me and just been kind of going uphill ever since."

Several did not believe that they would be selected. David (P) was surprised at his luck: "I was shocked and I, I'm still, I'm in disbelief." Claire (P) was sure she would not be chosen either:

I was so excited when I got picked for it because when I first found out I didn't understand that you would be put into a computer and randomly picked and then I was told that I was like, "Oh you've got to be kidding." I mean, 'cause I first automatically think, "Well I wouldn't be picked." And, I did and I was so happy, it was like the good Lord is definitely looking over me because this is going to be a good thing for me.

This strong religious orientation was also found among many other participants. Jennifer (P) also felt "blessed to be chosen," and Fred (P) saw the program as a sign from God:

I said, "Oh God is sending me a blessing, He sent it right to the door step." I says, "I'm filling this out and sending it right back right now." I says, "It's a blessing from God." That was . . . my first thought when I read it. I said, "God has blessed me again." . . . "It ain't nothing but God."

Some people applied with friends at the same time. Understanding that it was the "luck of the draw," one cannot help but hear the disappointment in Carol's remarks: "Cause one thing about the IDA—my friend Leslie was accepted—I wasn't accepted, my friend Anna wasn't accepted—we both have kids . . . But, you know, it's just the luck of the draw kind of thing."

Some participants felt badly for those not selected. Claire (P) observed, "I was really happy when I got my letter that I was picked, but I felt kind of bad for some people that I worked around that came through our program and they didn't get picked."

The Savings Match

Everybody that's in the program has a goal—not a goal—has a *dream* of something. And this was a way of doing it that seemed easy, that seemed fast. They're gonna match you, either two-for-one or one-for-one. So, that was incentive enough. That's incentive enough for anybody. I mean, I have to put \$1 and you're gonna put \$2 in? Oh, yeah, that'll work for me . . . And it's a structured kind of savings for you. It's something—it's a tool to teach you how to do it and it doesn't take long to become something that you want to do. That you look forward to doing. That you know you have to do. And once, and like I said,

once you start, you actually put something in there—a substantial amount like \$200 or \$300—and you can see it—it just makes all the difference in the world.

—Theresa (P)

This section highlights the ways in which the savings match affected IDA participation. CAPTC matched participants two-to-one for those saving for home ownership, and one-to-one for all other savings goals, including home repair, post-secondary education, microenterprise, and retirement. That is, for every dollar a participant deposited into an IDA, CAPTC matched two dollars for those saving for a house and one dollar for all other uses. If a participant withdrew funds for uses other than the savings goal, the participant would not receive the matching money for the amount withdrawn. Participants could receive a maximum of \$750 per year in matching funds for three years (total matching funds of \$2,250, plus participants' savings).

The matching funds are the unique part of an IDA program that encourages people to save. The savings match was the main reason respondents were interested in joining the IDA program. Participants explained that it was “a big incentive,” “free money,” “a good deal,” “a good bribe,” and “like winning the lottery.” Once they overcame their initial skepticism of the program's legitimacy, they believed it was too good to miss.

Geraldine (P): The match was the thing that hooked me in.”

Steven (P): I mean if I had said, “Nah, that'd be too much trouble,” that'd be just like throwing \$750 down the drain! So it did help me save just because of the offer. I don't think anybody that had any intelligence would turn that down.”

Fred (P): Other accounts don't match you no penny for penny. The IDA account is the only one matchin' like that in all America that I know of.

Mark (P): I did it because they were going to double my money . . . [otherwise] I would never have put out, you know, time and effort to a program that was just wanting to follow my savings progress and have me take some classes.”

Compared to other forms of savings, the IDA offered a better rate of return than regular savings accounts. John (P) pointed out that “anytime you are getting that kind of return, I mean, you couldn't get that interest, you know, no other way. Savings bonds or some kind of stock, I mean, nowhere that you could get a dollar for a dollar.” Similarly, Sandra (P) said:

It's like I'm getting free money for something. I mean, the match is the one that really attracted me Because it's like getting 100 percent interest on your savings. Right? Or 200 percent as far as the housing is concerned. I know, although I know that there are some guidelines that they have to follow . . . but this is much better than just putting your money in the savings account and earn what, one percent?

Michelle (P) pointed out, “You can't get 100 percent return on your money in the stock market, much less 200 percent . . . even if you got an established investment and portfolio, you're still not gonna get probably more than 25 to 30 percent. So, it's like a ‘can't miss’ situation.”

For Linda (P), the match made the hassles associated with the program (e.g., classes and participation in research) worth it.

If somebody is saying I am willing to triple your money if you will just go to a few classes and let us do a survey and be nosy in your life for a few years, then I go, alright, it's worth it to me . . . I just can't wait to be able to get that kind of house and that is what I am looking forward to.

Without the match money incentive, some participants said the program would not work. Sylvia (P) explained: "I don't think the program would work. I don't think people would start. Do you know what I'm saying?" Those already in the program might continue without matching funds, "but to get new people into the program, I don't think they will." Without the savings match, Linda (P) did not think she would save: "If there wasn't some motivation for getting it matched, I probably wouldn't save at all. I mean, there has to be some goal, some reason why you are doing it. And I have a house and I have bills that I could spend that money on. So if there wasn't a reason for me to have to save, then I probably wouldn't be doing it at all."

When respondents tried to save in the past without a savings match, they said that it was discouraging. As Theresa (P) said: "When I try to save on my own for like a down payment on a house, OK? It's discouraging because you know there's only so much you can put in here . . . And sometimes it can get discouraging because when you look at your balance you're thinking, 'Gosh, I got so far to go. I'm never gonna reach it.'" Esperanza, a control respondent, said she lost interest in saving without a match:

We were going to save to do this remodeling on our house. But now, we got this deal with the Tulsa Development Authority, and so we didn't really have to save for it after all. But, I'll tell you what would have really motivated us. If we would have been in the other group of this program, or they did a match savings, now that would have really motivated us to keep saving (laughter). But I don't know, the way it is, we just lost interest in saving.

The matched savings was such a good deal that Roxanne (P) could not understand why people were not joining the program in larger numbers:

It's, I mean, I can't imagine why they didn't have a line of people waiting or didn't have any trouble filling that. I can't see it. But, I mean, if somebody says, "Okay, you give me a dollar, I'm gonna give you two," or I mean, to me, that's a gimme!

Ian (P) observed that wealthy people would sign up for a program like this and that it offers low-income people a real incentive to save:

But also, I mean, there is some motivation too, you know. That's always there, gosh, you know, this is stupid of me if I don't save because this is just such a great opportunity, you know. If some of these people that had a lot of money could take, could take advantage of this, they would because it's a better investment than anything else. This gives an

opportunity for a poor person to make an investment that will double so, that's, that's a big incentive.

According to some participants who wanted to begin saving, the IDA program convinced them to begin saving sooner rather than later. Wendy's (P) comments were typical:

I don't know. I'm sure that at this stage in my life, you know, thinking about, you know, in ten years my husband is going to be retiring and we need to have money to buy a house or whatever. I probably would be saving any way. But this was a motivator for me and an incentive, and probably started me earlier saving than maybe when I would have.

Another key impact of the IDA program, according to participants, was that the match increased savings rates. As Theresa (P) explained, "It means . . . I can get to where I want to be quicker. Whereas if I was actually saving without being in this program—with the match saving—It puts me there twice as fast as if I was getting there by myself." The match made them want to save more, according to Sam (P). He and his wife were motivated by the match to save the maximum amount that could be matched each year:

We probably wouldn't have saved as much [without the match] because you know, incentive always makes you save more. With anything, you know, it is just like your boss tells you at work, you keep doing this we're going to get you a raise. You know, you keep doing better. If he comes up to you and gripes at you why do much harder work, you know, if you're not going to get anything out of it. So, that they're not matching you I'd still put money in, probably just the \$10 a month that they want us to put in but since they are matching us, I put in the \$750.

Along with the match, allowable uses for IDA account savings appeared to correspond to participants' own goals. Respondents were especially interested in the homeownership potential. This interest was not only related to the higher match rate, but also because homeownership was a dream for many of the participants. Gina (P) was not unusual in saying that her goal was to have a house: "I always wanted a home. I've always wanted—all I've ever asked for in my whole life is my own home and peace of mind." Others were interested in home repairs, retirement, education, and business. Savings goals are discussed at length in chapter five.

Program Requirements

You're required to make that \$10 [monthly deposit], and you have to think about that. So, when you're getting ready to, maybe go to McDonald's, or you know, and you've got \$20 left before your next check, and you're thinking . . . "Well, do I want to go to McDonald's and waste this? 'Cause I need to put something in the savings account." And in doing that, that action with that knowledge, it makes you think about it . . . It's easy for anybody to say, "Well, gosh, I should start saving," or "Well, I've got a savings account, I should put something in it." But when you have to put in something and you're doing it regularly, it puts it on your mind. –Jennifer (P)

This section explores program requirements, including banking, saving, and financial education requirements.

The expectation to save was conveyed and imposed by the account structure. The program expected participants to choose and purchase an asset based on consistent saving and matching funds. To meet that goal, the program set up intermediate expectations that participants open savings accounts and make a minimum monthly deposit. Participants could save as much as they wanted, but they would only be matched up to \$750. Unmatched withdrawals (those not used for allowable asset goals) were limited to three per year. There were monthly, annual, and end-of-program deposit expectations.

How did participants know about and respond to the program's requirements and their own responsibilities as participants in the program? Terry (P) appreciated the encouraging environment of the IDA program, making a critical distinction between a rule and an expectation, the former as "mandated" and the latter conveyed as a "should:"

You know, it's, if you are mandated to do something, it's not quite as easy to do it as if somebody saying, well, you really should, you know, and this is what you are working for. And that's much nicer to work under those conditions.

Monthly Saving Requirement

At least 26 participants said that the required monthly deposit of \$10 encouraged them to save or made them save more regularly. Staff gave participants latitude when they were unable to deposit the required minimum. For example, at the time participants were being interviewed, MIS IDA data indicate no deposits for 20 percent of all account statements, although none of these participants had been removed from the program. As a result, the monthly saving requirement appeared to be more of a program guideline than a rigid requirement.

Nonetheless, participants took the guideline seriously. Ian (P) was concerned that he might be thrown out of the program if he did not make regular deposits:

One time they called me because I hadn't made a deposit in three months and I was worried and I said, "Well, gosh, am I going to get kicked out of the program?" . . . [They] were very nice and they said, "No, so, you just, you know, you need to change." I said, "Okay, I'll repent."

Saving consistency. Wendy (P) thought that the "the rules are fine" and "the monthly deposit is great because it keeps you consistent." Steven (P) pointed out that "if you didn't have that \$10 rule, then you might skip a couple months and then think you'll put it all in at the end. So you need that guideline to keep you [depositing]." Similarly, Richard (P) explained how the IDA is different from other savings accounts:

It's different because of what I explained to you about why it's easy to make those deposits because of the way the program is set up and you have to do that. Like I said, that makes it easier right there. If it wasn't the program and I was just saving money on

my own I might save \$10 a month or \$25 and then three months in a row I may not save anything. You understand? I may not put up anything in my savings account.

Some participants found the monthly saving requirement to be stressful but effective. As Jill (P) explained:

But then again it's better because somebody's actually requiring you to do it, you know. You're not doing it just for yourself, somebody's requiring If you don't make your deposits then you don't get the [match] money, you know. So . . . you're required to do it or you can't participate, so to speak. So in a way that's good. But then again it's challenging because you have to make the requirements. You have to make the deposits at certain times of the month. And you can't make up deposits. You know, say, like I miss a deposit this month, I can't make it up by putting in extra next month. That makes it a little stressful.

Annual Limits

The IDA program would match participants' savings up to \$750 per year per family. Most participants seem to have viewed the \$750 match limit as their annual savings goal for the account:

Joycelyn (P): I mean if I'm broke and I go ahead and put my last \$10 in there, well that's, I can't afford not to miss out on \$750 a year. So, I figure whatever I gotta do to put that \$10 in there, then I'd be silly not to do it. Even if it meant doing without, I mean do without something extra for \$10 a month.

Many also treated the annual limit as a maximum. Some calculated how much would have to be deposited each month to reach \$750. Fred (P) explained how he and his wife decided how much to deposit each month to reach the maximum match-able amount:

You only had to put \$10 a month in there. So what we did is came home, I said, "Look, we can only put \$750 in there a year, that's all you can put in there. I says, "What we do is divide 12 into \$750." Right? And that will give you the certain amount that you need every month. Right? Then I say, "You just divide that by two, then every payday, you need to put that much in there, then at the end of the year, you have \$750.

Savings Statements

Participants received two savings statements. One was the monthly savings account statement from the Bank of Oklahoma showing deposits, withdrawals, and net savings balance. The other was a quarterly statement from CAPTC showing the monthly bank summary, as well as the corresponding accumulated match dollars.

Encourages focus. Some participants said that the savings statements helped them remain focused on their savings goals. Richard (P) said the statement helped him visualize his savings and reminded him why he was saving.

I think once a month you get your statement, and as you can see that your account's growing, then that's the good part about it. Now you can look at the paper and you can see, "Okay, this is the reason why I'm doing it. This is the reason why I'm saving this money. Because the money is growing and is gonna accumulate."

Similarly, Dorothy (P) said the quarterly IDA savings statement gave her a picture of her savings. "You can see how you're progressing. It shows how much money you put in and how much they're putting in, and then over here it gives the total of how much you actually can use. And that is, it's helpful."

Seven others said that the savings statements made their savings seem more real. Jackie (P) said, "It proves the reality of the program, you know, that I have only saved \$510, but I actually have \$1,030 [sic], you know, on paper that could be converted to cash, if need be."

Encourages more saving. Seeing the bank statement made some participants want to save even more. As Theresa (P) explained:

It's still a joy to get my bank statement. You know, and look at it, and say, "Look, you got almost \$1,000 in here." . . . because like I said, you get to see what they're matching, even though you can't touch what they're matching for right now.

The bank statements helped Theresa stay the course, even when she grew discouraged by how long it took to save:

Some months it influences me a lot, especially when I kind of get discouraged So sometimes it, my statement makes me feel really good, especially when I'm kind of depressed. "OK. I'm not moving fast enough." And in addition to just making me feel good that I've saved this amount of money, it's—you are moving. It's not like a standstill, you know. And then other months it's like I throw it in the drawer and I might look at it two or three weeks later. You know, so it just depends on how I feel.

Others reiterated that the statements encouraged them to save more because they could see that the amount was increasing. Shanta (P) was asked how she reacted to her statements: "Like wow! I've got some down payment It makes me feel like I'm doing something right and I want to continue to do it." John (P) was asked if the statements influenced him in any way: "Yeah, when I look at that and I say, 'Hey, last month I only had \$50, this month I've got \$80.' And you know . . . it encourages me, it's encouraging to see that it is growing. Even though it is a small amount, it's still more than I had the previous month."

One respondent, a member of the control group not receiving a savings match, found no encouragement in her monthly bank savings' statement. LaVonne (C) said that she was not motivated to save more when she received her savings statement because the statement underscored how long it took to accumulate: "I mean, [the bank statement] does not influence me one way or another because I have nothing to do with it. And I, I look at it and I think, after all these years and this is all I have."

LaVonne's comments suggest that for people with low incomes, without a savings match, a bank statement does not have as much impact because the rate of accumulation is slow.

Restrictions on Withdrawals

Program rules restricted non-matched withdrawals to three times per year. However, staff reviewed situations on a case-by-case basis and did not always follow this rule. In general, participants appreciated the restriction, but also the exceptions. Asked how she felt about the rules on withdrawals, Michelle (P) said: "They've actually made an exception for me on that When I got into that jam last August And so they have given me great grace in being able to stay in the program."

At least three participants commented that the rules on withdrawals helped them keep their money in savings. As Grace (P) said: "It's easier to save because it is a separate account. It is not so easy to take out." Michelle, who articulated what many participants seemed to think, said, "I don't believe that I would be as successful in what I have saved, had there not been limits there I believe that the rules are necessary because otherwise people would be raiding it every other week, and they would never accomplish any of the saving."

Financial Education

If you educate in place of supporting [people]. . . I honestly think, long term, you are gonna benefit everybody. The community, their children, and the community that they live in. You know, because you, you develop their esteem really because you feel better about yourself and you can support yourself, you know, and take care of your family and take care of all of those expenses yourself. You feel better. But, just, just sitting there giving people money, isn't gonna help them unless you teach them how to use it and show them what is out there, you know, how they can benefit for themselves and the community. —Roxanne (P)

The savings match and savings goals may have provided the motivation to enter the IDA program, but as Roxanne expressed, the classes were important in providing the tools and motivation to save. Participants pointed out that the classes provided "encouragement" and "kept me coming back." All IDA participants were required to attend six two-hour money management classes over the course of the three-year program. In addition, participants were required to attend a seminar that offered specific information related to the various asset goals. Optional seminars and a resource library were also available to participants.

The same class was offered five times within a two-to-three-month period of time. After that, the next class was offered. The six different money management classes were intended to be sequential:

Class 1: A detailed overview of the IDA program and guidelines, savings withdrawal procedures, and overview of money management and asset-specific classes.

- Class 2: Money management information. Completed program application and guidelines signed by participant, authorization forms given to participants to open bank accounts.
- Class 3: Setting goals and establishing priorities (personal and financial).
- Class 4: Tracking spending.
- Class 5: Developing a spending plan.
- Class 6: Consumer and credit issues.

Classes were offered on both weekdays and weekends to accommodate participants' work schedules. Participants could bring their children, although no formal childcare was provided.

Asset-specific seminars addressed investing in homeownership, business ownership, post-secondary education, and retirement. Seminars varied in length. For example, the homeownership class was five hours, and the retirement class was two hours.

Instructors for the six money management classes were CAPTC staff or part-time contracted teachers. Non-CAPTC staff conducted most of the asset-specific training.

This section focuses on the financial education in CAPTC's IDA program and its influence on participants. What did the financial education consist of? What was their impression of the instruction? How were classes structured and how engaged were participants? What impact did the financial education have on participants and their financial behavior? Finally, what did participants believe was the best way to include financial education in an IDA program?

Money Management Curriculum

During the in-depth interview, participants discussed what they learned in money management classes. In particular, they focused on sessions on tracking spending, budgeting, and setting priorities. Other areas they mentioned included credit card use, managing debt, and techniques for saving money on a daily basis. As Denise (P) asserted, the IDA program took them through the process of saving, step-by-step:

I've never seen a program like this before Where they'll take you through step-by-step and show you, you know, how to reach that goal. I mean, 'cause a lot of people don't know how. They say they got a goal but don't know how to get to it.

Participants reported varying degrees of learning in the financial education classes. We use the following criteria to assess how participants rated the classes:

- Highly useful: Participant specifically stated classes were very good, that they learned a lot, and provided examples of what they learned.
- Somewhat useful: Participant stated that they learned a few things, but knew a lot already, considered classes to be good, and may have offered examples of something learned.
- Not useful: Participant stated classes were not useful because they did not learn anything and exercises were not helpful, or stated that class was a waste of time.

Of 57 participants who discussed the classes, 49 reported learning something new in the money management classes. Thirty-three participants thought the classes were highly useful, compared to 19 who thought that the classes were somewhat useful, and 5 who did not find them useful at all.

Those who thought classes were highly useful talked about what they had learned. Theresa (P) talked about learning budgeting techniques that helped her set money aside each day for saving:

The class that I liked the most, that taught me the most . . . was one of the classes in the money management. We had to do, well, actually it was like a little budget . . . it made me compare if I was over or under my budget, because we kept receipts for everything, every single thing we spent money on. I don't do that. Okay? I did not, it was just amazing to me—of course, I did my regular little budget like I would have done at home—but then when I actually sat down and did the receipts of how much was for cigarettes, pop, greeting cards, it was amazing. So that was the one class I was the most impressed with.

Participants gave examples of saving techniques they learned in class:

Geraldine (P): I remember the budgeting class. That is the one that stays in my mind. She was talking to us about budgeting and not, well she was talking about not opening the credit cards and things like that . . . We had to keep a log of what we spent something on and then when you look at that you are like, "I didn't spend that much money." And then, but it's right there in black and white and then you know you did, so, that was helping.

Natalie (P): I try to see what's a better deal. 'Cause [the instructor] . . . did something with, with laundry detergent—how you thinking you getting a better deal with a big, big box, when, if you actually weighed the cost of buying two boxes of a certain laundry detergent . . . So, I learned how to do that, you know. And just, like I think one of the things she said was, when you get in the habit of saving, you get in the habit of seeing how you can cut corners without cutting quality, you know, you can, there's ways to do that sort of thing. Buying in bulk and all that kind of stuff.

Stephanie (P): They taught us how to buy better, you know, and learn to take care of your car better. And maybe buy things on sale more, and look for sales and look for good opportunities and buy cheaper if you can and still get quality, and, I don't know, they taught us a lot of good things.

Nineteen participants thought the classes were somewhat useful, but the material presented was not necessarily new information for them. Nancy (P) said she was already aware of some of the information taught in class, but it was helpful to go over it again in the context of the IDA program:

Well I think that, you know that I kind of knew a lot of it. I hadn't really practiced a lot of it. It wasn't all totally news, but it was a good presentation, putting you through all the exercises was good. It forced you to figure out where all your money was going.

Similarly, Thomas (P) said he already was a careful spender, but the IDA program reinforced these behaviors:

I've always been disciplined in paying the bills, and I'm not one of these that eats out everyday and stops at . . . the convenience store everyday, you know, and gets a doughnut and coffee, and you know, I don't waste money like that. So, it was—all those were good ideas, and were good for, I'd say the majority of the people that were there, and, but for me, you know, it's one of those type of things that I already knew. But it sparked me again, you might say. It opens up your eyes all over again, so . . . it was good for me, but I was already practicing 99 percent of it, anyway.

Mark – Financial education classes aided in saving

Although Mark has a busy schedule as a teacher with two young kids, he thought the financial education classes were a valuable use of his time. The education requirement made the program seem more legitimate by requiring something of him in return for the matching funds. He found the teachers and classmates to be very encouraging, describing the classes as “cheerleading sessions.” Because his classmates were his peers and not a “bunch of business executives,” he could relate to them and learn from their experiences. “They were a bunch of people pretty much just like me. Some of them better off, some of them worse. We were all out there being stupid with . . . money.” The classes helped him take saving seriously and encouraged him to plan for and work to achieve his financial goals. He especially appreciated the exercise where he was told to list his financial priorities and then track his spending. He realized that although retirement was a high priority for him, he was spending more money on soft drinks each month than he was on his retirement savings. Seeing it in such “black and white terms” helped him think more about how he was spending and saving his money. He stopped buying Cokes because he realized that cutting out small incidentals could make a big difference in his saving progress.

While many participants thought the financial education classes were effective, there were several who were less satisfied. Linda said she already knew much of the material and probably did not need to attend:

. . . I mean, I've proved to myself that, that I could teach these classes. Anything that you are telling me, I've already lived it. It's, it's not even learning, it's like, I've already done all that, you know.

Five participants indicated they did not learn anything in the money management classes. Jessie's (P) response was typical of this group:

The classes themselves provide no motivation, just annoyance. In all honesty, I didn't find them that helpful. Everything that was in there was pretty much common sense. And I don't think there [was] any new information. There hasn't been anything that I didn't already know . . . I never heard anything that I [didn't] already know. And as far as the classes themselves, I pretty much hate them. But I go because it's required.

Asset-Specific Curriculum

At the time of the interviews, the program was still ongoing, and many of the participants had not yet taken the asset-specific class. Of the 24 who had taken the classes, 21 said they learned a lot, two said they only learned one or two things, and one participant “wasn’t real pleased with it.” When asked a question about whether they would be willing to pay for the classes, a few said that while they would probably not be willing to pay for the money management classes, they might have been willing to pay for some asset-specific classes, depending on the topic. Shanta (P) said she learned about how to look for a house and “what to look for and . . . what you can get as far as deducting . . . towards the closing costs and . . . just the whole book.” Fred (P), who was saving to open a business, said that the business course was “very helpful.” He said, “it’s a lot to running a business to be successful . . . I’m gonna use . . . some of the ideas they passed down, I’m gonna use in my business.” Grace (P) appreciated the information presented in the retirement seminar:

I learned a lot, because I didn’t know anything about retirement. And they told me about the Roth IRA and regular IRA’s. And, like for me, I learned that since I am only 23, if I were to start putting in like \$2,000 a year, by the time I was 56, I would have like a half a million dollars saved to retire off of. So that’s like exciting to hear about. Plus, I mean, that’s not even if I were to invest in stock or stuff like that. And I didn’t know anything about that. And it is really pretty interesting to me, ‘cause everyone wants to know how to make more money and then an easy way to make money to invest. So I learned that.

Two participants did not understand the information presented. Wendy (P) commented:

And, as far as like, the retirement or the investment one, I, I didn’t comprehend a lot of it. It was foreign and hard for me to understand and I wanted to go through the class again with my husband with me so that maybe the two of us would understand better. For instance, like, an IRA, I didn’t realize when you open an IRA that you need to decide how you want your money invested. You know, I thought when you put it in the IRA, that was the investment. But you decide if you want to buy, you know, use a certain percentage to buy this or to buy that to make a bigger investment and I didn’t realize that. And I don’t understand the stock market or these things that determine the rates and all that kind of thing.

Lisa (P) attended a business development class and reported that examples used in the class were about failed businesses:

I’m interested in starting a business, so I went to that one, although I wasn’t real pleased with it. They were more trying to talk you out of it and tell you about the problems than give you any real insight into what you do to be successful. Somebody in the class pointed out that they picked two people that weren’t successful in their businesses to teach us, so you know, we kind of would have rather had someone that was successful saying this is how I’ve done it, this is some other ideas, you can do it. But it was very much the other direction, so that was kind of sad, but that was really essentially a waste of time.

Teaching Methods and Class Organization

Participants said that the substance of classes was important, but the style of delivery was also important. They said that the informality of the classes, the opportunity to learn by doing, and learning from their peers played an important role in their participation in the program.

Informality. The atmosphere of the classes was friendly and informal (“It was real comfortable and informal and informative”), receptive (“If you wanted to talk about anything you could ask questions and they would, they’d go over it with you”), flexible (“A couple different times I took my kids and they were real nice”), and fun (The instructors are “entertaining”).

In general, CAPTC instructors were well received by the participants. Instructors had positive attitudes and made learning enjoyable. As Lois (P) said, “They are really playful . . . and they get right to it but they have a little jokes on the side.” Participants also emphasized the value of the instructors’ knowledge. Richard (P) appreciated that “the people that did the training were always nice and they always knew what they were talking about.”

A few were not happy with the instruction. Jennifer (P) commented that she thought some of instructors had a bit of an “attitude”: “I feel like they have a little bit of a ‘mightier than thou’ air, attitude about them, which is really aggravating, but other than that, you know, I found them to be a good resource.”

Experiential teaching techniques. Instructors used a variety of teaching methods to engage and teach the IDA participants. Following an adult learner model, tests and penalties were avoided in favor of positive reinforcement and applied learning. Participants said they learned the most from experiential activities, including exercises on spending, budgeting, and setting priorities. As Natalie (P) explained, “you have to keep practicing something that you learned”:

You learning how to meet a goal I think it’s discipline too. When you disciplining yourself, I’m gonna make this deposit every month. I’m making it on time, I’m gonna try my best not to miss any, any deposit. And it has to be a really good reason to miss, you know. Just forming a habit of saving and, and reaching your goal.

Forty-nine participants discussed specific things they learned doing the exercises. Even those who reported that the content of the classes was not necessarily new said that doing some of the exercises reinforced previous learning or provided additional motivation to change their spending and saving patterns. Nancy (P) said, “Well, I think the little exercises that we had to track where our money went back and, you know, they kind of more or less force you to go through some little enlightening exercises I can certainly learn something from that.” Theresa (P) said that it was helpful to review the material:

Even though you think you know, you still learn something You know it but you haven’t done it or you haven’t thought about it in such a long time and once it comes back up you go, “Oh, yeah. I remember now.” And it sparks interest again.

Participants learned from tracking their spending and doing budgeting exercises because it allowed them to see, as Liz (P) pointed out, in “plain black and white” where the money was going. Thomas (P) made a similar observation:

It’s like working on a budget. Whenever you see it on paper—you can talk about it all day, but when you see it on paper, with the number added up, then you don’t really realize how much is going out or how much is coming in. So in a situation like that, just seeing it on paper.

Some exercises helped them realize where they might be wasting money. Reggie (P) described an exercise that helped them learn how much they were spending on incidentals:

She put up this chart on the board and it showed you a little candy wrapper or a Snicker bar or BBQ chips or whatever. And she said, “Okay, how much is this usually?” And then she put up another one. “Do you know how much of this money you are spending in one month?” And then when you look at it you’re like, “Oh, my God. I don’t want to be spending that money for a candy bar!”

At first some were skeptical of the exercises, like Liz (P), but later realized they helped them track spending and save more:

One class they give you these little pieces of paper and you’re supposed to write down your priorities. You know, I thought, “What a stupid exercise.” What is most important to you? Church, clothes, cell phone—and see what you’re spending your money on And it was just interesting to see it on paper. And what you thought was important and how much you’re really putting in there. Kids’ college tuition, you know, to me, that’s really important that I . . . hadn’t really done anything to save for it So I think that’s what the classes did was get you thinking how you’re spending your money and why you’re spending it, you know.

Denise (P) said that at first she was doubtful she could save, but the classes helped her begin to see how she might be successful. “But the outcome, it’s only to help me. So . . . I feel a lot better about it now, ‘cause at first I was like, ‘Oh, I don’t know if I can do this.’ You know, do this, and save, ‘cause I got so much on my plate, you know? But . . . the more they map it out and show you different things and use examples, it helped me.”

Those who completed the exercises found that it was very useful to examine their financial behavior. Lia (P) thought that the classes filled a void in her financial upbringing:

It’s just, it really helped you to reevaluate your spending habits and even if they, things that most people, you know, raised around, when you are raised with a parent that you know, “You need to put so much back [save].” For those who didn’t have that training, they never know. I mean, they know they should, but it never clicks, I don’t think, until you’re sitting there and having to put it on paper . . . before I didn’t know how much I made or how much I had going out. No wonder I had so many money problems! And now I actually have in my mind how much spending money I have a month. You know,

how much I should be putting back, how much extra I can use to fix this or to get a new washing machine.

Denise – Learning to spend and save

Denise is a single mom with four kids who is determined to own her own home, and she credits the IDA program with setting her on the track toward this goal. Before joining the program, she was only saving intermittently under her mattress for emergencies. She described herself as someone who would splurge on things she did not need, but after tracking her spending for one of the financial education classes, she learned to be more careful spending and distinguish between what she wanted and what she really needed. Although she believed that the matching funds were an important incentive, she also joined the IDA program to attend the financial education classes. She wanted to learn how to be disciplined and save money. The classes taught her how to successfully plan to reach her goals, and she is determined not to touch her IDA savings for any purpose other than purchasing a home. For the first time, she realizes that she can save if she just puts her mind to it. At the suggestion of one of the instructors, she has also started involving her children in saving, and they are all excited about owning a home some day. Staff support and encouragement was also important to her. Just having someone tell her she could save helped her to jumpstart her saving. She always felt free to contact them with any concerns or questions, and they always made her feel confident in her saving ability.

Learning from peers. Participants learned from other IDA participants in the classes, which were small and facilitated peer interaction. Questions asked by other participants made them feel comfortable asking their own questions. Generally, peers from similar socioeconomic backgrounds were a source of support and encouragement. As Mark (P) pointed out:

The classes weren't filled with a bunch of business executives. They were a bunch of people pretty much just like me. Some of them better off, some of them worse. We were all out there being stupid with our money. And so it was just kind of—I found them just sort of encouraging, more like cheerleading sessions.”

Sometimes the program brought other participants who had already started saving to speak to new participants. Sam (P) found this useful:

Because once we got past the first couple of classes, we ended up having classes with other people that were already started They have already been doing this for like a couple of years and those people were coming to our classes and they were telling about their experiences, what has helped them saving The people that have been in the program for this year or so that has been ahead of us they say it'll get hard at times but you can find ways to save money It kind of helps you out. There is other families out there that is already going through it and they can help you They gave us a lot of good ideas of how to save money.

Participants were also motivated by or learned from their peers' success:

Roxanne (P): If somebody had a question, you could get information that you might not have gotten through that training sessions just from somebody else's experience. So that happened several times in that aspect.

Fred (P): Oh yeah, yeah, that one lady she had her own restaurant up and running and it made me say, "You can do it. I'm gonna get my own business. You watch and see."

Denise (P): They just give you, I mean, when you've got people around you, you know, just excited about what they're doing, it gives you a little bit more confidence about what you're doing. "Well, I can do this. You know, they look like this really, you know." Just give you a little more confidence because they're excited too.

But a few felt disconnected from their peers. Sonya (P) did not attend the classes to get support from others: "To me, the most important thing is that I'm learning what I am there to learn. You know, interaction with other people, I mean, it's okay, but it is not what I am there for really so it doesn't matter as much to me." Jessie (P), who was highly critical of the classes, said: "I don't like to do things with a group of strangers. And all of the people in these classes are strangers."

Supplemental Resources

Six participants took advantage of other resources, including an in-house resource library and referrals to other organizations for information regarding credit issues, community education classes, business development, and realty organizations. Participants commented on useful supplemental resources related to their asset goal, such as books on real estate or assistance with finding realtors and inspectors for purchasing a home. For instance, Roxanne (P) said "they gave you good contacts for people, if you needed additional information . . . the realtors, financiers and that kind of thing." Speaking about one staff person, she exclaimed, "She is a genius, an absolute genius. She's got a manual that she created herself that's just full of information She is just a wealth of information." Similarly, Yvonne (P) said:

I was always able to be helped. And they were friendly and they were very, very, concerned. They gave me books to read. Actually, that's also how the money management changed me. They had a little reference library and I would go, I would actually check books out on real estate. And the books that they had on investing and the books they had on home purchases So I got extra information from them. And then I did go up, go for extra counseling for business plan from the counselors there. So I used the staff, you know. When I went to buy my home I talked to their real estate agent. I went to the class up there, you know. I went back and forth about the contract. She called my landlord several times. So I used all the staff too.

However, for some people, perhaps particularly those who were not as accustomed to reading financial information, the classes were most valuable. As Jocelyn (P) pointed out:

I don't know how to put it into words. Well it just seems like people wanted to go and listen to someone explain it to them and you know, and answer their questions, rather

than trying [to] read something and find something out on their own. I think . . . people won't do that on their own, take it upon their self to, to read up and find information.

Staff Support and Assistance

'Cause if they wouldn't have sit down and showed me, I wouldn't know how to, you know, reach toward that goal. I would think, I mean, showing you if it's something that you really want, you gotta work hard, you know, toward getting it. So this is why you have to save. This is why you have to, you know, take this and put this into the account. As far as if they wouldn't have showed me that, I probably still be doing the same thing. - Denise (P)

This section focuses on the program support offered through the IDA program and the role in saving. How did participants perceive the program support offered? What effect did program support have on IDA participants?

Reassuring and Caring Attitudes

Almost half of the participants talked about receiving reassurance, counseling, and encouragement from staff. Participants expressed appreciation for the pleasant attitude and personal touch demonstrated by staff members. For participants going through a crisis, the personal relationships they had formed with staff were reassuring. Yvonne (P) said that her relationship with "the staff was important because it made it personal and people in that income [bracket] during that kind of crisis—I was in crisis. I needed the support of the staff."

Jackie (P) said it was easy to reach staff. "I call them any time and they return my call. They call me on the job. They call me to remind me of meetings. They send me reminders about my deposit, and whatever questions I have." Jackie (P) said that communication was key: "what stands out for me is that they keep the line of communication open with them."

Jackie (P) also reflects on staff encouragement from a racial perspective:

And it's like they're encouraging me, you know, that you are a black single woman and you can have your own home and feel good about yourself, you know. They don't say it in exactly those words, you know, but I get the feeling that they are encouraging blacks in low-income, whatever color, that they can do it, too.

Participants felt that staff were ordinary people, not detached or remote. Charles (P) said that the staff made participants feel free to ask questions and make suggestions: "And you are not embarrassed in any way whether to ask a question or whether to try to . . . point out something that is lacking, or the need for something to be initiated, or the need for something to be implemented." David (P) explained:

They are ordinary people, they are not—they strike me as common people, if that makes sense, everyday people. They are not uppity. They are . . . real people. . . . They are not snobby. They are not . . . phony, they are just regular people that you would just see out

there They never, you know, they've never made you feel like a low life or anything like that, like you are irresponsible.

Sandra (P) observed that as the IDA program grew and hired more staff, relations became a little more impersonal. At first, “they were very friendly,” but more recently, “it’s getting to be impersonal now, because of all the new people and stuff. Whereas before, they were just like four or five—like you were on first name basis with all to them.” Nonetheless, she said that they are helpful: “But I could say that really everything is positive for me. I can see that they are really doing their best to help people.”

Yvonne – The support role of IDA staff

Yvonne appreciated that the staff members seemed very committed to the program and the participants. They really wanted the program to succeed, and they were very encouraging and supportive. She always felt comfortable contacting them if she needed assistance or had questions, and she was pleased that they seemed to take a personal interest in her saving progress. They explained the rules of the program clearly, and the program guidelines helped Yvonne stay the course. She utilized staff support on several different occasions, once when she was in financial crisis and other times when she needed advice or referrals for financial services. They referred her to another CAPTC program that prepared people to open a small business. Not only did she learn valuable information from these courses, but she also made business contacts with people in the community. She consulted with the IDA staff when creating a business plan. Although she did not use her IDA savings to buy a house, she did consult with the program’s real estate agent and took their advice in getting an inspection on a home before purchasing it. As a result, she discovered structural problems in the house foundation, and thus decided to purchase a different house. She utilized the CAPTC’s reference library on a number of different occasions too, checking out books related to investing and home purchase. Yvonne said that support by staff was a key factor that contributed to her successful accumulation of assets, and with their help she was able to create new business relationships and access other community resources. She bought a house with outside funds, not IDA, but she still used the staff as a resource in this process.

Counseling

Twenty-eight IDA participants made use of either telephone or one-on-one support offered by CAPTC. Two said they appreciated receiving calls from CAPTC staff. Six mentioned that they knew they could call or get individual assistance if they needed it. They appreciated the availability of the service. As Shanta (P) said, “It makes you feel like you’re not alone in this. They’ll be there for you.” According to Jasmine (P), “And they’ve always like, left their door open to you, if you couldn’t make your payments to call them and talk to them if you need it, assistance, you know.” Terry (P) described her interaction with staff: “Oh, they have been wonderful. They have helped me so much when I was sick and everything. Everybody there was just wonderful to me. And I’ve always enjoyed working with them.” She appreciated that they encouraged her to save without making it feel mandated. Likewise, Geraldine (P) said that “it’s nice to know that you have the backup there if you need it. If you need a question answered, that there is someone out there that you can call and say, ‘Hey, I need help with this.’”

Encouragement to Save

Eleven participants talked about how staff encouraged and helped them save. As Denise (P) said, staff told participants, “You can do it, you can save,” and, “You can reach that goal.” This made her feel more “confident” in her saving program. Michelle (P) said that one staff person in particular, encouraged her to save: “[She] was a real encourager and exhorter and gets people motivated and helps them to stay in the program, then you’re earning your worth, so to speak.” According to Natalie, “some people just need that little push to help them do something.” For Rose (P), the encouragement of “someone telling me that I could save” was one of the most important elements of the IDA program.

Several participants emphasized the importance of staff availability in keeping them involved in the program. Yvonne (P) said that staff availability helped her save consistently:

I think that they kept reemphasizing the importance of following their guidelines in order to stay in the program and that helped me to stay in the program. And they were very encouraging and supporting and they also said that if you were having problems to call them. Which made you want to stay in the program.

And Theresa (P) described how staff would react to a request for help:

And I know that if I need some help I can just call So it’s not like something you just start and then you never hear from them again until you mess up. . . . They keep in contact with you. They, you know, ask a whole lot of questions sometimes that I don’t necessarily like, but I can understand. If I’m giving you my money, I have the right to ask you some questions. You know? So, I like it. I really do.

Not all participants relied on staff, however. Jessie (P), the person who said she had no use for money management classes, said “I haven’t really had dealings with them [staff] other than just having to go to the classes.” Nor did Linda (P) interact with others, including staff:

The only people that I feel like I interacted with was when I was initially opening or getting into the program and having orientation. And honestly it was less personable than this [interview] is. You know, it is someone that asks you a few questions, make sure what your income was, and your family size, and then if you qualify or not, you know. And then it is all picked at random Not a lot of interaction, not meeting new people or anything.

Deposit Reminders

Early in the program, staff began sending out deposit reminder postcards on a monthly basis to remind participants to make their IDA deposits. These reminders were a way for the program to both reinforce expectations and provide encouragement for consistent depositing. Eighteen participants commented that the reminders encouraged them to make their deposits. Tyrone (P) said that he would forget if they did not send the reminders: “Yeah, because it’s like I’m not really thinking about it. It’s like, they send me a reminder in the mail and so I make them.”

Some participants also remembered receiving phone calls reminding them to make their deposits and attend financial education classes. When the interviewer asked Claire (P) what she thought was the “most important piece of the whole IDA program?” She replied: “Probably the support and the incentive to keep making my payment every month. They send me a card in the mail every month to remind me to pay my payment.”

Theresa (P) seemed impressed that the staff made a special effort to encourage her to make her deposit: “First of all, because . . . you don’t just sign-up and they accept you and that’s it. They keep in contact with you. They send you a little reminder each month to make your deposit. They send you surveys It’s not like they just start you and let you go. And even after you finish the classes, you know, I still get stuff all the time from them.”

For some, however, the reminder postcards were not adequate, suggesting that a variety of techniques be employed to remind participants about their deposits. Denise (P) had missed four deposits despite the reminder cards. “And if you’re not careful—and it happens to me, I forget—they send you little reminder cards every month. Those help me out. And I normally put them on the icebox. But I forget because I . . . be so busy doing stuff.” Jill (P) referred to the need for additional ways to prompt depositing:

I know they send those little cards out—it’s not enough. I share a mailbox with my parents. Sometimes I don’t see my mail for weeks, you know. So I don’t see that stuff that comes through the mail. I think phone calls—like this lady is gonna contact me—I think that’ll help. I think they need to have some kind of meetings to go to once a month . . . Yeah, I think they need to keep a real, closer, contact. And I’m sure that would be a lot of extra work on their part. But I think it would be important if they want to keep folks involved.

For others, however, no reminder was needed at all. Dorothy (P), for example, said “Usually by the time I get that card, I have already made my deposit because they send it towards the last of the month.”

To some extent, the regularity of the reminders encouraged them to develop what some called a saving “habit.” Roxanne (P) said that the reminders were particularly helpful in the beginning, because she was not used to saving regularly:

So it works out great because . . . when I first got into the program, I just . . . would be like, “Oh my gosh,” you know . . . and then I would go [make the deposit]. But it was more of because I would have forgot it completely if they hadn’t sent those notices, because it just wasn’t an established thing yet But now . . . I write it out at the first. It’s a habit, and I am used to doing it.”

Referral Assistance

Staff provided referrals for programs within CAPTC, as well as to other organizations, for food donations, tax assistance, health care, and transportation. Five participants specifically commented on these referrals. Yolanda (P) said that her experience with the IDA program was

positive, in part because “they give you information about other services and programs that are out there . . . even in the communities.”

Although Fred (P) did not use the services that the program provided information about, he was aware of the services as a result of his participation.

Well, they had all this, they got this brochure where you get free bus passes and all that. But I never had to use those other stuff to save. Now maybe somebody else had. They got other ways they can help you to save. They got food banks, they got gasoline vouchers, they got transit buses, coupons you can get on the bus.

Brad (P) had used the assistance and other referrals available through CAPTC.

Let’s see what we’ve used: We’ve used the tax program—free tax assistance . . . a lot of information that we needed as far as for the children—different things that they need. We’d call down there and they’d give us information. There’s a good dentist down there.

Discussion

Participants talked at length about the IDA program and their participation in it. While mostly positive about their experience in the IDA program and with the organization, CAPTC, they had many suggestions for program improvement. These are discussed in chapter eight.

Program Legitimacy

A few participants, especially those with more familiarity with savings instruments, said they recognized a good thing and quickly enrolled. However, many others questioned the legitimacy of a program that offered “free money.” Potential participants were dubious, distrustful, skeptical, and reluctant when they first heard about the program. Was the IDA program just another way to trick people into giving away their money? Was it a way to get “into people’s business?” Was it really true? Weren’t there strings attached?

Several factors attenuated this initial skepticism. These included hearing about the program from a trusted source, including a program they were familiar with, their church, a family member, a peer, or a friend. It also seemed to help when participants heard about the IDA program more than once and from more than one type of source. A respected sponsoring organization also increased the level of trust in the program. For a few, it made a difference that the program required something of them, such as attending classes, or being willing to participate in the IDA research. “Free money,” then, was not exactly free and therefore seemed more believable. As Brad (P) said, “It’s not just a handout. It only helps the people that want to help themselves.”

Enrollment was best remembered as a process of establishing eligibility and being selected for the program. Many were pleasantly surprised that they qualified for the program. Some had applied for some form of social assistance in the past and had not qualified. Some had incomes that were not always as low as they had been in the year prior to signing up for the IDA and therefore, were, in their words, “lucky” that the timing allowed them to qualify.

Although a few people applied and did not worry about selection, more often the selection process was stressful. Control respondents were generally disappointed and many hoped to participate in the future. Participants felt “lucky” and “blessed” to be chosen. Most, but not all, seemed to understand the random assignment into participant and control groups. These observations may be useful for future experimental research designs.

Some questions deserve further exploration, including how initial impressions might influence participation in the program, and whether those who felt “lucky” or “blessed” tried harder than others might to successfully save in the program.

The Savings Match

The IDA matching funds and savings goals played a central role in attracting people to the program, creating a compelling incentive to save and building participants’ confidence in achieving savings goals. After initial concerns about the program’s legitimacy were alleviated, it was the prospect of “free money” that attracted people to the program. Some articulated this as an extraordinarily high rate of return on personal savings. In addition to a higher match, the IDA match was easy to understand, visible, and more immediate than other forms of saving.

The match rate was one-to-one for most asset purchases, except home purchase, which was two-to-one. Many participants said that the match rate was vital but even if it was reduced, they would still see it as an incentive to save. Several people said that they felt that the program was unusual because it offered a real opportunity. Whether or not participants would join a program with lower match rates—and save—is an empirical question. This suggests, however, that some low-income individuals may still find a lower match an incentive to join and save.

Program Requirements

Rules and guidelines on depositing, matching, and withdrawing savings were conveyed through elements of the program’s structure, including bank statements. Staff reinforced these rules through information and support. Participants believed that the monthly savings requirement encouraged regular saving. By encouraging regular saving, it also made participants more aware of their own money management. Participants clearly viewed the match limit as their annual saving goal. Savings statements helped people save because they helped them visualize their savings (and the match) and focus on their savings goal. Rules that restricted savings withdrawals were not as potent as the penalty of having the savings match removed. Without these rules, guidelines, and program structure, some IDA participants said they would not have saved or would not have saved regularly.

Furthermore, the interviews suggest that people who have not saved in the past have little knowledge of how bank savings operate, including the kinds of rules they encountered in the IDA program and the structured flow of information about their savings.

Financial Education

The IDA program required money management classes and asset seminars. Moreover, staff provided additional information to individual participants. Although one person was vehemently opposed to having any classes at all, most participants agreed that the courses were helpful. They liked the adult learning style and found the instructors to be informed, flexible, caring, and fun. Eighty percent of participants reported learning something new in the financial education classes, and 57 percent thought they were very useful. The experiential process of learning helped them learn about their own spending or saving behavior and how to save more.

There are also indications that participants may not learn on their own and could see the benefits of having taken a class. Some participants said they needed the discipline imposed by the classes.

Staff Support and Assistance

The IDA program staff facilitated participation in the program and saving. Staff provided a variety of support services and technical assistance during classes, in counseling sessions, and over the phone. Participants said that staff was personable and respectful. The positive qualities of staff may have influenced participation in the program and participants' ability to save.

Many participants either used or talked about the value of technical assistance. The types of inquiries included understanding and following the rules and guidelines of the IDA program. About a fifth of participants said they sought personal support from program staff in class, by telephone, and through one-on-one counseling.

These findings hold implications for serving larger numbers of IDA participants. A telephone hotline number for answering questions, concerns, or working through financial decisions might help the majority of participants who have technical questions about saving, savings accounts, match rates, rules, and so forth. A smaller but significant group, however, may require more intensive (and expensive) counseling and support.

In addition to staff support, IDA participants suggested a limited role by their peers in program participation and saving. Many found it useful to learn that their peers encountered many of the same financial challenges. It was also helpful to learn savings strategies from others. However, relationships with their IDA peers rarely went beyond classroom learning.

Assessment of the IDA Program

Key questions about the IDA program are the relative effects and importance of various program elements in successful saving among families with low-incomes. Chapter 8 will address the specific suggestions for improvements that participants offered in the interviews, but this chapter has explored how participants view the program and its components. First, participants viewed the program as a genuine opportunity. They believed that the IDA program was designed to help them save money to achieve important goals. They believed that the financial match in IDAs is the foundation of the program. It is what brought them to the program, what helped them save, and – because their money would double or triple, depending on their savings goal – what

convinced them that saving would be worth the effort. In addition to motivating them to sign up and save, the match made it possible to envision saving enough to achieve some of their family's goals.

Participants also talked about the important role of clear guidelines and program rules. They said that these requirements helped them know what to do and reinforced their decision to save. Therefore, although saving incentives may be the primary motivation for people to join an IDA program, requirements shaped their participation.

Most participants also believed that the financial education was important. Classes increased their knowledge about financial management and ways to save and reinforced their decision to save. Staff support encouraged them to remain in the program and helped some with obstacles that they encountered that affected their ability to save. Classes helped them focus on saving and on their families' asset goals. There was not a consensus, however. Jessie's (P) negative reaction to the classes suggests that information and support may be particularly important for participants who need assistance in organizing their financial affairs and dealing with day-to-day financial challenges.

To some extent, these program elements were synergistic. Stephanie (P) put it simply: "the match is what inspires me to want to go to classes." Scott (P) pointed out the importance of the relationship between different program aspects: "I think the interaction between the leader and the savings experiences really make a difference. Actually it kept us coming back." Similarly, Theresa (P) explained that the savings match and classes were both important:

[The match] is an incentive to keep doing it [saving]. The classes, I think, are necessary because you can't save if you don't know why and how to do it right. I mean, you, anybody can save money but you don't do it the right if—It serves no purpose. You're defeating your prose is what you're doing. Like my daughter, you save and take it out and you save and you take it out—but you don't replace what you take out.

5. Savings Goals

My IDA savings, I will tell you sweet and short, it give me one thing, it has made me a person to persevere along these lines whether hail or storm comes. It give me the incentive that it is a must in my life. That this has to be done and no matter what, I am going to do it. I have set my goals and I am going to achieve my goals.
– Charles (P)

[My savings] gives me, it shows me what I can do and what I have and it gives me purpose. It shows me I have a goal ahead of me and that's my goal. Something that I have to produce. – Elizabeth (C)

Interviewers asked respondents about their goals for their savings. Did they save for something in particular? Did their family have rules or expectations about what they would use their saving for? How did they plan to use their current savings or their IDA savings? How did they choose this goal? What was important about that particular goal?

As most respondents were growing up, they saved money. Not surprisingly, when they were very young, they saved for candy and toys. As they grew older, their savings goals grew more ambitious and reflected their developmental stage and age, increased ability to earn money, and changing preferences. Several said they saved because they wanted to purchase items that their parents would not or could not buy for them, including bicycles, makeup, and clothes. For example, Natalie (P) said,

I wanted things. I wanted to buy new makeup. I wanted to buy good smelling perfume, lotion. Pretty stuff, you know. And the only way I was going to do it was I had to have my own money to save my own money. My mother wasn't going to give me any money to go to the store and buy me some of that hair dye.

As they grew older, they saved for larger purchases, including cars, motorcycles, and stereos. Thirty-one respondents (37%) reported saving to buy a vehicle such as a car or a motorcycle during young adulthood.

As they gained autonomy and moved out of the family home, they began to save for a car or an apartment. As Steven (P) recalled, "When I was 16, I got my first job part-time doing some delivery driving and stuff so I could make money to buy that first car. So I guess I kind of saved." Shirley (P) saved for increasingly more expensive items:

Well, I guess at the beginning, I could say that I never really had to nag [my parents] for money. I could just go and shop and do what I wanted to do. Go to the movies, go skating and I could enjoy, you know, have money to do what, my own recreation or whatever. And then, of course, as I got older, I mean, I was able to save and eventually move out on my own and buy a new car for the first time, you know.

Adult Savings Goals

Although respondents referred to many goals throughout the interview, Table 5.1 presents what they reported were their primary and secondary savings goals.

	IDA Participants N = 59 (%)		Controls N = 25 (%)	
	Primary Goals	Secondary Goals	Primary Goals	Secondary Goals
Buy a house/real estate	25 (42.4) ^a	5 (8.5)	7 (28.0)	3 (12.0)
Retirement	7 (11.9)	11 (18.6)	4 (16.0)	1 (4.0)
House repair	12 (20.3)	5 (8.5)	1 (4.0)	1 (4.0)
Spouse/own education or training	6 (10.2)	3 (5.1)	0 (0.0)	1 (4.0)
Children's education or training	3 (5.1)	1 (1.7)	3 (12.0)	3 (12.0)
Emergencies	0 (0.0)	0 (0.0)	8 (32.0)	1 (4.0)
Savings/investment	0 (0.0)	0 (0.0)	4 (16.0)	3 (12.0)
Business	6 (10.2)	0 (0.0)	1 (4.0)	0 (0.0)
Other	0 (0.0)	2 (3.4)	3 (12.0)	4 (16.0)
Unknown / unspecified	3 (5.1)	28 (47.5)	4 (16.0)	4 (16.0)
Total^b	64	57	36	22

^a 24 wanted to purchase a house and one wanted to buy land on which to eventually build a house.

^b Five IDA participants named more than one primary goal (including four with two primary goals and one with three primary goals). One participant named more than one secondary goal. Nine members of the control group named more than one primary goal (including seven with two primary goals, one with three primary goals, and one control with four primary goals); and five controls named more than one secondary goals (including four with one secondary goal and two with three secondary goals).

Source: In-depth interviews

The following sections describe in more detail the ways that respondents discussed savings goals. The numerical counts refer to the numbers of participants and control respondents that mentioned these different kinds of savings.

Savings for Homeownership

Thirty IDA participants and 10 control respondents¹¹ said they were saving for a house. Some believed that owning their own home was a source of long-term security. (At the time of enrollment in the IDA program, 18 of IDA participants and seven control respondents owned houses.) For example, Jackie (P), an IDA participant, said, "The most important thing is the prospect of owning my own home. That's security for me and my children." For Michelle (P), her IDA account meant stability as "a huge little tool as a stepping stone to get into my house. Because for me, having a stable environment is real important in how I operate."

¹¹ Several IDA participants suggested in the interviews that they chose a house because of the higher match (two-to-one match) over the one-to-one match for other purposes. Also, as noted, many said they were saving for more than one goal. Some current homeowners were saving to purchase a better house.

Kimberly, a control respondent, said she and her family were planning to invest in a house, which she viewed as a form of savings: “Our next little project is to put that [our money] toward a house. So we are actually not putting it into savings. But in a way we are, you know what I mean?”

More than simply buying a house, some viewed homeownership as a way to move to a different neighborhood. Three IDA participants said they were saving for houses in order to move to a safer neighborhood with better schools. Linda (P) discussed her concern that her daughter was being exposed to gang and drug activity in their current location:

It means that, I have a better chance of, of getting into a better neighborhood. That I can raise my daughter way differently than I was raised, you know. It’s bad to think that this is, you know, how things exists, but it’s true, that if we can possibly get into a better neighborhood that she could possibly go to a better school, get a better education . . . hang out with different people, different kids that have got different lifestyles, their parents are at a different social status so that they are not so prone . . . to get into gangs or drugs or anything like that as for living in the lower class neighborhoods and things like that.

Jackie – Making a new home in America

Jackie is an immigrant who has lived in the United States for about ten years. Currently divorced, she lives with her four children in a public housing complex. She has always dreamed of owning her own home, but this was never a concrete or realistic goal until she joined the IDA program. The IDA program staff helped her focus on her homeownership goal and formulate a savings plan. She has saved on her own in the past, but through the IDA program, she realizes that saving must be “like a compulsion—you have to do this if you want to see a dream realized.” Her monthly statements from the program provide encouragement because she can see her progress toward her goal. Although Jackie considers the public housing complex safe, she sees homeownership as a source of security and freedom for her family. When they live in their own home, her kids can have toys in the yard and pets to play with. Before joining the program, her goal of homeownership meant any home at all, even those that might be in unsafe neighborhoods. But after attending the financial education courses, she set her standards higher and is looking for a house that she will actually enjoy living in, one that will provide safety and security for her family.

Some participants thought about their home purchase as a way to ensure their children’s future financial well being. Brad (P) had developed a plan that would enable him to purchase and pay for a house in 15 years: “I would like to get a house, fix it up and then rent it out so that the payments will cover the rental payments . . . maintenance, everything. And then, I don’t want to finance anything more than 15 years.” After purchasing this first house, he hoped to employ the same financial strategy to buy more houses. Eventually he wanted to be able to purchase and rehabilitate enough houses to give one to each of his three children:

I’ve always wanted to build up enough houses so I could have one for every one of my children when they needed it. And so this was a way that I could do it—get started. And

that way when they're grown and need a place to live, they'll have a house. 'Cause it's getting to be harder and harder for young people to get, you know, a good place to live.

For some, homeownership overlapped with other goals. Some planned to open a small home-based business after they moved into their own home. Wendy (P) believed that owning a house would provide retirement security:

It is real important right now because in a few years my husband and I are gonna be retired and we would like to have a place to live. We would like to have a house. So, it is real important to us It means a house, to have a place to live in when I am growing old and no one wants me any more.

Theresa (P) was concerned that her credit record would make it difficult to successfully purchase a house. She joined the IDA program so that she could eventually build up enough capital:

I want to live in a house again. That's why I joined the IDA so I can save money to, when a house became available, I could have the down payment for it. That was what it was for. But I'm finding out too that if your credit is no good, this program is not gonna help you if that's what you're looking for. Maybe it is. I haven't talked to a housing counselor so I don't know.

Although it was more difficult for the members of the control group to think about saving for a house, a few were. Darlene (C) explained that renting was not helping her get ahead:

Paying rent to somebody else, I'm not profiting anything, you know. And I say, you know, be extra, you know, that's money that can go toward something that can be my own and then I can always, you know, that makes me feel good to say, "Oh, this is mine, you know. I own this." That's just a feeling, you know.

Ten control respondents said that owning a home was their savings goal. For many, however, saving enough money for a down payment was challenging. LaVonne (C) opened a direct deposit annuity to help save for a home:

I know that you have to have quite a bit of money to buy . . . a house. You have the closing cost and a certain amount of down payment to get a house. And I cannot do it just on my own going to the bank. It's just too hard to physically do it yourself, to just go, "Okay, I'm gonna put this in here every month."

Saving for Retirement and the Future

Eighteen IDA participants and five control respondents said that retirement was their savings goal.¹² Abel (P) said his savings were "a way that [I] can grow old and have something, you know, for me." Some respondents referred to saving a "nest egg" or saving for the future. For

¹² This number is likely to be low and does not count everyone that has workplace retirement savings plans. As previously mentioned, many did not think about their retirement plans as savings.

example, John (P) said that he was saving for “something to fall back on . . . I got something there to, you know, to help me, you know, when I get ready to sit down. I need a little money. I can go to the bank there and get it out. It just means a lot to have some kind of nest egg.”

Heidi (P) said she knew how to save prior to joining the IDA program, but had been unable to save for retirement: “I had a savings idea . . . but the actual IRA, I didn't really have.” Some IDA participants were saving mainly for retirement and others were saving for other purposes and planned to use whatever remained to invest in an IRA.

Rose (P) was saving in her IDA for retirement so that she could be independent in her old age: “I'm saving as much as I can. Yeah, I want that independence. I want the independence.” John (P) said with his IDA, he would be able to go fishing and visit with his grandchildren when he retired:

It means that I can have a little something to fall back on whenever I decide to sit down and retire. I mean, even though it's not, you know, it's not enough for me to just take a trip around. I mean, I got something there to you know, to help me, you know, when I get ready to sit down. I need a little money, I can go to the bank there and get it out. It just means a lot to have some kind of nest egg.

Several planned to save in their matched IDA accounts and roll them over into Individual Retirement Accounts (IRAs). Thomas (P), for example, had plans to save for the future in various types of IRAs and other financial instruments. He was anxious to get started: “I'll be excited when I reach that \$500 [in the IDA account]—I'll get it matched and get it into an IRA. Then I can see it start making me a little bit of money and I can start working on the next \$500.”

For a few of the IDA participants, saving for retirement was a backup in case they could not save enough to purchase a house, or, as one participant put it, if she got “cold feet” about a home purchase. Finally, some said they would save for retirement in case they had money “left over” after they reach their primary goal. Claire (P) planned to save for retirement in her final year in the IDA program after she met her other goal of home repair.

Five control respondents also saved for retirement or old age security. Elizabeth (C) said her savings goals were for “college for my son, right now. It's number one. And retirement. I'm 52 years old.” Veronica, a member of the control group who was saving very little, said she was worried that there would be no one to care for her in her old age: “I got to save . . . I looked at my aunt and I just looked at her, and I go, ‘Who gonna take care of me when I get old?’”

Reflecting a common concern among the poor, Maxine (C) set aside money aside in the form of burial insurance so that:

I won't be an embarrassment on them when I die. Because that's the most embarrassing time in a family—when a person dies. Because those people aren't gonna do anything to touch that body, move that body, drop that body in the ground, until they have their money.

Others talked about saving for retirement, but had not begun. For instance, Anne (C), 33 years old, knew that she and her husband needed retirement funds, but had not yet started saving:

We would start looking more toward retirement, you know, as we got older At one point in life you have to begin looking for when you get old and don't have an income coming in. So I think that is a future goal. I don't think it is anything that is gonna happen within the next year, but, [it's a] future goal.

Saving for House Repair and Home Improvement

Seventeen IDA participants and two control respondents were saving to make improvements on their houses. For some, investing in a house they already owned would increase its value over the long-term and make it a healthier and better place to live. For example, Steven (P) planned to spend \$1,500 on his house over the three years in the IDA program. He then planned to sell the house and use his home equity to build his own house. He discussed why he thought this would be a good investment:

If I take that [IDA] money and put it in my house, that is almost like putting it in a 401(k) or an investment plan. Because every year it just gets more and more—but if I don't invest that money in it—even though it's assessed at \$70,000—if they come look at it and it's got the old carpet in it and the roof's falling off, they'll say, "Well, we'll just give you \$50,000 for it." But as I invest this IDA money in it, it just goes up in value.

Becky (P), however, was concerned that her house needed far more in the way of repairs than her IDA would cover. She thought it might perhaps be a better strategy to clear her credit record and eventually purchase a new house, instead of trying to renovate her existing one. Her comments underscore some of the ongoing financial difficulties and decisions faced by these families:

I think about opening up different savings accounts for other things, you know. I ain't really done it, but I thought about it Just to save money, you know, for like, the kids. School and stuff when they're older and stuff like that. That's basically what I think about. Because I thought this money, this would help and everything, but that house is in such bad shape . . . if I get \$750 a year, and that was what they matched, and did it for the full three years, that's still not going to do very much on the house. And I know that. I mean because it's in bad shape, I mean really bad shape. And so I think about this and then I think, well, maybe if I could over the next couple of years try to get I get my credit straight. And then I think about even trying to buy a new house.

Some participants and control respondents saved for purchasing an asset or maintaining existing assets. For example, Brad, an IDA participant, explained that when he and his wife "get some extra money we use it to either fix up our house or to work for a school trip somewhere . . . or to fix up something that's gonna last . . . either trying to purchase another piece of land or something." Although this meant that they ran "cash poor" much of the time, he believed it was worth the long-term investment.

Saving for Education

Nine IDA participants and one control respondents were saving for their own or their spouse or partner's education. As Grace (P) said, "It's money I can go back to school on. It's important." Yolanda (P) believed that education was the best use of her IDA savings. She was already in school and the IDA would help her pay the tuition bills. Grace (P) used the IDA to return to school: "I'm gonna go back to school. Actually I need to go in and enroll on Monday 'cause I have money saved up and I'm going to use the IDA to match it."

Natalie (P) wanted to finish her accounting degree: "Since I wanted to go back to college and pursue . . . at least an Associate's degree in something in accounting to fulfill the rest of the accounting credits that I need. 'Cause I really enjoy doing accounting work, working with numbers."

Jennifer (P) said that she had earned some extra money working as a U.S. Census worker, so along with her IDA money, she had enough money to go back to school:

I want to get through college. I'm, you know, seeking out a bachelor's degree in computer programming And so, hopefully I'll have a job of my own that I can stand on my own two feet I'm gonna use it for my tuition, for my first time, my first authorized withdrawal. I'm taking a heavy load this semester, because of the [income from my job] I was able to save money to pay my basic needs. So I won't have to do the Burger King thing, and I'll be able to concentrate on my studies.

Only two control respondents said they were saving or planned to save for their own education. Debra (C) listed education in a long list of things that she wanted to save for, and another, currently a community college student, said: "I'm gonna have to save while I'm working, after I finish my two-year degree—to save up for the night classes to get my four-year degree."

Four IDA participants and six control respondents said they were saving for their children's education. Pat (P) said that her IDA was for her children's education: "I've got two kids, and I want them to have something I didn't have." Ian (P), for example, planned to use his IDA savings for his own and his children's education:

So right now I have, I've saved \$606.17 and so I have available \$1,012 [sic] for education. Which would be good for my daughter and my son, you know when they go to college. And I am going to have to take a class to maintain my teacher certification. I'll be able to use it for that as well.

Why weren't more participants and controls saving for their children's schooling? For some there was a strong impression among both control respondents and IDA participants that education funding is available for children who do well in school. At least 22 respondents (including participants and controls) mentioned that they or their children had received grants, scholarships, loans, and other financial aid to attend college. Twelve believed that scholarships would be available to their children if they worked hard and performed well in school. As Trish (C) said:

That's what I have already tried to instill in them that, number one, they have to have good grades 'cause if they are gonna get a scholarship, I'd rather them get an academic scholarship over a, you know, a football. My son wants a football scholarship He can play football, and I say "Yeah, but what happens, you know, if you go and, you know, something happens to you? An academic scholarship, you can still play football, but it is not based on whether or not you are able to play, but that you stay in school." So, I am already trying to push them for that.

Pat (P) thought she might switch her goal to saving for a house rather than for her children's education because of the availability of scholarships: "I may end up saving for a home if I can. My daughter's doing real well in school and she may get some scholarships, so I may just switch that around and buy me a house". She wanted her children to be able to go to college, an option she and her siblings did not have, but was not convinced that she would need to save money to pay for it.

There were others, however, that pointed out that scholarships go only so far. Ida (P) pointed out: "Well, yes, when the boys were in college, it was terrible, even though they were on scholarships and they were on full scholarships it was, you know—they always needed something. So that was probably the worst. And then I had two in college." Tonya (C) said she expected her daughter to be awarded a scholarship, but she was planning to help the other children with their college expenses:

My daughter should be getting close to graduating by then and she makes straight A's and now I know how to go about looking for scholarships. So, I'm hoping that she gets a scholarship and I told all of them that if they stay home that I will help them get through school because I think that's really important and I wish somebody in my family had helped me so that you really could go on.

Thomas (P) and his wife were saving for their son's education in a custodial account and had not told him about the money because they were afraid it might lead to poor financial decisions:

He won't have any control of this This is earmarked for something. And we're, you know, custodians on this I'm just using past experience, common sense. You're irresponsible out there in your teenage years and definitely don't want to give them control over it.

Saving for Emergencies

Both IDA participants and control respondents talked about savings as "money on hand," money "put up," money to "fall back on," "safe money," or money "put aside for a rainy day." These savings could be for predictable or unpredictable expenses. These savings provided a "backup," a "reserve," or a "buffer." They helped respondents feel more secure, helped the family survive, kept them out of debt, or kept them from going broke. Sonya (P) described her savings as "security savings money," making a clear distinction between emergency savings and her IDA savings:

See, I have some savings I have set aside just for one thing and I don't touch that for any reason. Then I have savings that I set aside just in case I need money for something. So, it just depends on what it is that I have saved it for In other words, I have security savings money and then I have money that I have saved up for something specific.

Twenty-four IDA participants and nine control respondents said they occasionally set money aside for emergencies, although only control respondents said they were currently setting aside money for emergencies. IDA participants interpreted savings goals to mean long term investments. Furthermore, they knew that their IDA accounts could be used for emergencies if they needed it. But they did not consider emergencies to be a savings "goal."

A key to emergency savings was flexibility. As Terrell (C) explained, "We just opened us a savings account and try to put our money in there to save to cover for anything. You know, maybe we might be running short on the rent or the bills. We can go to the savings and get you know, \$50, \$25 – whatever we need." Typically, but not always, these reserve funds were for household emergencies such as a lost job, needing more food, replacing a car tire, house repairs, illnesses, and other unforeseen events.

To some extent, such needs could be anticipated, but most of these families, both IDA participants and control respondents, were operating on a financial edge where there may or may not have been enough money in the family budget to cover regular expenses, much less cover these unusual or periodic expenses. Therefore, as Maxine (C) pointed out, "it always pays to save for a rainy day 'cause you don't never know when the storm is coming." Jennifer (P) said she used to save "for a hard time". Sonya (P) talked about saving money aside in case "you get into a bind". Small emergency savings are there "just to fall back on," according to three others. Others described their emergency savings as a "backup" or a "buffer." When asked what she meant by a "buffer," Grace (P) explained, "It's in case you have money problems and you can fall back on that other saved money. So I was doing that before the IDA."

Several said that their parents taught them to set money aside for emergencies. Lois (P) remembered that her mother "would always say, you know, put something aside for yourself, for emergencies. That's what she called it." Sonya (P) said that her father encouraged her to save: "Mostly for security reasons I think is why he . . . impressed upon us to save. He didn't mention . . . as to whether you should do it in a bank or anything. But just . . . just to have it . . . something to fall back on. So I guess mainly for security reasons."

Health care was among the more common emergencies. Many respondents lacked health insurance, and they discussed the difficulty this presented when someone in the family got sick. They felt safer knowing they had some money in savings. For example, Debra (C) said:

Money in savings . . . means that I feel safe knowing that I have money there in case an emergency happens. I mean, the emergency might be more expensive than what I have available. But at least I have some. If I have to go to the hospital, you know, I know that I have part of the bill, you know, paid for already. Because I had the money to pay it. It's just a matter of feeling safe and feeling good that it's there.

Others were concerned about the well being of their family if something happened to the primary earner. Carol (C) wanted to be able to save enough to purchase life insurance because "Being a single mother and not having any family support at all from [her child's] father . . . I really need a cushion for him, if something was to happen to me."

Some talked about having these emergency funds as a way to keep from "going broke." For example, Yolanda (P) kept some savings when she was starting college. When asked what motivated her to save, she said, "That was when I was going off to college and knew I would need some money and not wanting to be broke ever." Another participant, Roseatta, said that her mother taught her to save and emphasized the importance of not being broke. She agreed with her mother: "Nobody, actually, wants to be broke. You know what I'm saying?" Denisha, a control respondent, pointed out that since childhood she never liked to be without extra money to hold onto: "They used to call me a little tightwad. I didn't really give them anything that I had, 'cause I'd just keep a hold onto it for a while . . . 'cause I don't want to be broke."

Saving to avoid borrowing. When a person is broke, they often turn to family, friends, or some other source for a loan. With savings, respondents like Stephanie (P), who said that her savings gave her a feeling of security, pointed out that it meant that she did not have to borrow money. Anne (C) said it was important to her to keep a certain amount in her savings account because she saw borrowing leading to a downward spiral:

You never know when that tire is gonna blow. You never know when just anything, you know, so, it, it's good to have money that you know is put back somewhere that is kept untouched to fall back on so you don't have to fall back on anyone else. You don't have to contact anyone else to say "can I borrow a hundred bucks?" Which eventually just gets you back in a bind again because you are borrowing, you know.

When asked if she had a goal for her savings, Lois (P) replied, "Just to have, make sure I have something, enough money in the account. For if I ever need it I won't have to go to a loan company or a pawn shop or I mean, like that. 'Cause I don't want to lose nothing that I had to a pawn. So I was trying to have a little something." She also did not want to be embarrassed by being turned down for a loan:

[I was] just making sure that I have something for myself so I won't have to ask nobody and get turned down and have my feelings hurt. Or whatever, you know, need something and can't get it and be out on a limb. I want to make sure that I have it at least as a security.

Stephanie (P), who is a teacher, saved every month during the school year to cover her expenses during the summer when she does not receive a paycheck. Similarly, Sonya (P) thought about savings as the money she set aside to pay for bills and other living expenses. By saving up for these expenses, she managed to avoid debt:

But you know, really, that's to me, what savings is all about. You know, when you have the lean times then you dig into your savings. When you have the surplus times you save it back for the lean times. And it just kind of works out that way. So, basically speaking,

for at least the last seven to eight years perhaps, I've never went into debt. I've always managed to pay my bills. You know, I haven't managed to save a lot of money but neither am I really going backwards either. I get my earned income credit from my taxes and that helps me get the extra things that I just can't afford during, you know, just off my checks. So, you know, it's worked out really well. I mean, I'm not by any means rich, but, you know, we've managed to do very well for ourselves compared with what we used to do when I first got started.

Others had no one to borrow from in a pinch. In these cases, emergency funds were important for survival. Maria (C), an immigrant, explained that "it was important for me to save because I didn't have anybody here to give me money, I didn't have anybody to help me. Nobody. So if I don't think about myself, if I don't try to save, who is going to help me in the future?" Rachel (P), another immigrant, was concerned about her day-to-day financial security, and preferred to "have a little bit of money . . . because I am alone—if I get sick, nobody is here to help me or if I couldn't work."

Saving for larger purchases. If money set aside for emergencies was not used, they could possibly accumulate and be available for larger projects, such as purchase of furniture, an appliance, or a car. As Judith (C) explained, a savings account is important because, "one of these days you'd have enough money to do something with it." Seven respondents said they had used savings to pay for a car. Shanta (P) said she "had saved up enough to buy me a car so I purchased a small little Chevy hatchback thing." Scott (P) said their savings came from the extra money they accumulated for vacations, repairs, and other consumption needs: "It's usually used for items that we've been needing when we have extra money. . . . And that couch you're sitting on, we bought with money that we saved."

While many put aside money for emergencies, IDA participants (prior to the IDA program) and control respondents said that their efforts to save resulted in only relatively small accumulations over time. Most said they did not maintain a savings pattern. As Reggie (P) pointed out, "eventually, something is going to come up that's going to take that away." It was difficult for many respondents to maintain a substantial amount in these accounts so that it was available for purchasing more permanent assets. For example, Claire (P) had never been able to generate more than one month's savings. Now, after 13 years, her ex-husband was finally paying child support, and she believed that she would finally be able to save some in a fund for her daughter: "And hopefully the longer I get [child support] I plan to put it in a savings for my daughter for college."

However, there was evidence that respondents more frequently purchased more expensive items with credit, on layaway, or from rent-to-own establishments. Respondents may have saved enough for a down payment on some of these items, but frequently relied on credit as a way to afford higher ticket items. As Trish (C) said: "I went to one of these rent-to-own places and I got my living room set, my TV, my dining room set, my bedroom set, and my friends' bedroom set. So I just made one monthly payment for all the furniture."

Saving for Investment

Seven control respondents mentioned saving for “investments,” but did not articulate their goal other than to say that they considered these savings. None of the IDA participants were saving for unspecified investments.

Saving for Business Development

Six IDA participants and one control respondent were saving to start or expand a business. Ideas that emerged in the interviews included: restaurants, desktop publishing, housecleaning, home day care, and real estate. Denise (P) was saving first for a home, in part so that she could open a home day care: “I want to open my own childcare center and my own home daycare in my home.” Fred (P) planned to open a repair shop, “I’m gonna get the match from the IDA account and I’m gonna take that CD—which gonna be \$7,000—and put them together, and I’m gonna open up me a . . . repair shop.” Fred said that his IDA was “my road map . . . my highway to my own business. . . . That’s my future business sitting up in that Bank of Oklahoma. When I get that match, it’s gonna open the doors.”

Business was a clear priority for five IDA participants, but one, Gina, was unsure: “Hopefully I will have my own business by that time too. I’d like to take part-time classes and take business courses and open up my own business. I just haven’t figured out what kind of business I want to open up. I’ve got dreams.”

Tyrone, an IDA participant who was saving to pay back his school loans and for retirement at the time of the interview, had saved unsuccessfully in the past to start a business. His comment illustrated the challenge of saving for a business without the assistance of matching funds:

I would try to put it away for, mainly for business opportunities. And they, none of them really benefited too much. So, yeah, that was mainly my thing. I would try to save up money to like, buy something or get into a club or something like that.

Veronica, the only control respondent who said she wanted to save for a business, was not regularly saving.

Children as a Motivation for Saving

Participants often referred to their children as a motivation for saving. At least 17 of the 42 IDA participants with children at home and seven of the 22 control respondents with children at home mentioned their children as a primary motivation for saving.¹³ Sometimes they articulated a specific goal that would directly benefit their children, such as for education (discussed earlier), but they also framed their other goals in terms of their overall consequences for their children’s well being.

¹³ Not all of these respondents were currently saving regularly. Controls were the least likely to be actually saving.

For example, many thought that purchasing a house could improve the quality of life for their children or provide an inheritance. Other forms of saving could also improve the lives of their children. Camille (C) said her long-term savings might mean more security for her children, even if it would not directly benefit her. She said she did not have much saved in her work-based savings instruments (stocks, annuity, and retirement fund), but “at least it’s a nest egg for them. I doubt if I’ll ever use it because it will never be large enough for me to use, but maybe it will benefit them.” Ian (P) said that he saved money so when his children were grown “they can have something that’s meaningful for them.”

Linda – Savings goals are an integral part of her plan for the future

Linda survived an abusive and unstable childhood, running away from home as a teenager and getting pregnant. Although this pregnancy was unplanned, it was the birth of her daughter that motivated her to create positive changes in her life. She tried to stay together with the father of her child, but he was emotionally and physically abusive, a fellow high school drop-out who did not support her goals of continuing her education and creating a better life for their daughter. In the span of a couple of years, Linda was able to move out on her own, earn her GED, and buy a modest home with the help of her Earned Income Tax Credit. The baby’s grandparents helped out by babysitting, but for the most part she was on her own. Linda’s daughter is her first priority, and everything she has accomplished is motivated by her desire to raise her daughter in a secure and loving home. Money is extremely tight, and Linda struggles financially, but she sometimes spends a little extra to ensure that her daughter has a “normal childhood” and fits in at school. She recently earned her Associate’s Degree and is taking off some time to spend with her daughter before finishing college in a few years. She joined the IDA program to save for a different house in a nicer neighborhood, where her daughter can get a better education. Although her current neighborhood is not unsafe, she worries about the influence of other children on her daughter. She has great hopes for her daughter to succeed in the future. Linda appreciates that her daughter is now old enough to have serious conversations. Although she is still young, Linda talks to her about her financial situation and her plans to buy a new house and go back to school. Linda’s saving goals revolve around her daughter’s future, which she believes makes it easier to work toward and achieve those goals.

Differences in Savings Goals

The interviews show clear differences in how participants and control respondents discussed their long-term savings, how successfully they saved, and the ways they thought about their savings. Control respondents were likely to list more savings goals than IDA participants (see Table 5.1). Overall, the average number of goals listed by control respondents was 2.4, while the average number of goals listed by IDA participants was 1.6. Control respondents were also less likely to know what savings they held. For example, Jake (C) remembered that he had had a savings account in the past and wondered out loud in the interview if he “might have a good nest egg saved up somewhere” that he did not know about.

IDA participants were more likely to say they were saving for home purchase, home repair, education, or retirement. IDA participants’ savings goals were shaped by allowable uses permitted by the IDA program, and reinforced by financial education classes. Not only were IDA

participants required to use their matched savings for specific long-term purposes, but they also received specific asset training (chapter 4). With the exception of paying off debt and setting aside money for emergencies, the goals mentioned by participants fell within the guidelines set by the IDA program.

We also find that control respondents were more likely to articulate short-term savings goals and were more likely to be setting money aside for short-term purposes (e.g., emergencies and other contingencies) than IDA respondents. IDA participants, in contrast, were more likely to articulate long-term savings goals (e.g., homeownership, education) and to be saving regularly for these long-term purposes compared to control respondents (Table 5.2).¹⁴

The IDA program structured these saving goals for participants. Denise, an IDA participant, explained that in the past she intended to save for a house, but “back then I wasn’t really [saving]. In the back of my mind I was saying I wanted a house, but I wasn’t working toward that goal.” But once in the program, she and others, were more likely to say they were saving for long-term purposes.

Table 5.2 Short-term and Long-term Savings Perspectives		
	IDA Participants N = 59 (%)	Control Respondents N = 25 (%)
Short-term saving	18 (31.0)	15 (60.0)
Long-term saving	40 (69.0)	10 (40.0)

Source: In-depth interviews.

IDA participants described the amounts of money needed for certain goals, how they were saving for them, and the pros and cons of saving for one goal versus another. For those in the IDA program, IDA accounts were generally perceived for investment purposes. Long-term savings were not to be touched for short-term purposes. These were *real* savings, according to Roxanne (P):

That savings is, you know, something you are gonna keep. You know, like if I have a CD that I’m not ever gonna touch, I mean, it’s like I don’t even have it, I don’t even pay attention to it. It renews automatically, you know That’s what I classify as real savings, money that you are really not gonna spend until, you know.

In contrast, control respondents were more likely to be saving for emergencies or to say that they were saving for some unspecified future use or investment. While mentioning more goals, the control respondents talked about them less articulately. For example, when asked about the importance of her savings, LaVonne (C) said that in addition to offering “peace of mind,” her savings in life insurance also meant future security for her children: “it’s just something—inheritance for your children.” But, she went on to say, “Just knowing that if you needed to

¹⁴ We were somewhat liberal in our determination of long-term savings for controls. We included them as long-term savers if they indicated that they were saving even small amounts for long-term purposes.

retire, like right now if I wanted to leave this state I know that I could say, look, I'm leaving the state. Give me my money. And I would have something to take with me to help set myself up somewhere. And that's a sense of peace."

Although control respondents talked about long-term goals, most did not speak with certainty about reaching those goals. They also seemed less realistic about the potential of their savings. Only a few control respondents (3) said they were saving regularly for long-term purposes. Instead, they talked about how they planned to, or hoped to, or in general terms thought about, the benefits of long-term savings. Several had saved successfully for a period of time, but found it difficult to sustain over time. Several had dreams for their savings that would not likely materialize at the rate that they were currently saving. For example, Camille (C) at age 46 wanted to buy a house in two years, but with \$3,500 in her retirement savings and no liquid savings, it would have been difficult to afford. Shannon (C) wanted to own a house in five years, but had no savings of any kind, and wondered out loud, "Where will I get the down payment for that, I don't know." Judith, who was in her 70s, and her husband wanted to buy a home, but had only \$1,000 in savings. Victor and his wife wanted to retire and travel, but had no savings. Laura (C) said that she would like to buy a house, save for her son's college education, and have money set aside for emergencies, but she only put money in her savings account when there was "extra."

Discussion

Saving goals tended to reflect developmental stage and age, income, and preferences. As children, respondents said they saved for consumption (e.g., toys and candy). As adolescents, they saved for clothing and consumer durables, such as bicycles and cars. As adults, their saving goals reflected family goals and children's welfare. As older adults, they began to look toward retirement security and inheritance goals.

When respondents talked about their savings goals, they often talked about their children. Sometimes savings goals promised material improvement and improved quality of life for their children (e.g., homeownership or home repair). Other times savings were intended to provide an opportunity and resource for human capital improvement (e.g., education). Other respondents were saving in order to provide security or money for future use by their children. Respondents also said they intended to use their savings program to help teach their children about the importance of saving and good money management.

IDA participants and control respondents talked about their savings goals in different ways. When asked, IDA participants listed fewer savings goals and their goals were more likely to be for longer-term uses. Control respondents were likely to list more savings goals than IDA participants, but were less articulate and specific about their savings goals.

These findings were not surprising, given the IDA guidelines and financial education component. IDA participants were required to choose a specific savings goal for their IDA account and were encouraged in financial education classes to focus on that savings goal. Discussions about savings goals with control respondents and IDA participants *before* they joined the program suggested that saving for short-term uses, such as emergencies, is a significant reason for saving

in low-income households. When they had long-term savings goals, they tended to be facilitated by structured savings plans (e.g., an IDA account, 401(k) plan).

Overall, respondents made an important distinction between savings for short-term security and emergencies and for long-term goals. Sonya (P) explained the difference:

See, I have some savings I have set aside just for one thing and I don't touch that for any reason. Then I have savings that I set aside just in case I need money for something. So, it just depends on what it is that I have saved it for I have security savings money and then I have money that I have saved up for something specific.

6. Saving in Low-Income Households

I've never really had a savings account. And any savings account I've ever had got closed because you to have at least \$50 in it to open it and I'd have the checking. Well, my checking would get like overdrawn, you know, so they would take the money out of my savings which would close it out. Every time. I never had a savings that lasted. Right now I don't have a savings at all. I don't even want to try. I'm so tired of—I know the money will be taken out. – Kathleen (C)

The [IDA] makes it ingrained that you *have to*, okay? Whereas if you were doing it on your own you're like, "Well, I don't have to do it this month. I can do it next month." But this you have to do it each month. So that instills in your brain, "Okay, this is something that you have to, have to do." – Theresa (P)

This chapter focuses on respondents' saving experiences. We begin by examining respondents' views on saving, with special focus on the spiritual dimensions of saving and having savings. Later, we examine patterns of saving among both IDA participants and control respondents, their sources of savings, and strategies they use to generate deposits and maintain their savings. In the concluding section we identify possible program effects on savings strategies.

Saving: American Ethos and Spirituality

Despite the fact that many respondents lived in or close to poverty and found it difficult to save, they still expressed the value of saving that is deeply rooted in American society. As Sam (P) said, "That is the American way. Save money." Saving is, in Yolanda's (P) words, "Just like the right thing to do". Elizabeth (C) said: "I think people today are aware you need to save." Saving is considered a sign of being a responsible person, as Maxine (C) said: "[I'm] just a person being responsible and mapping out some things."

Spirituality and religious institutions also play a significant role in attitudes and behavior about saving. Michelle (P) said her church leader suggested that parishioners should save and ensure their own stability after giving to the church:

Because Proverbs says that "A wise man saves up an inheritance for his children's children." And I believe that the situation that I am in my life right now is only a temporary one. And I have an ultimate goal of not only being self-sufficient and financially independent, but also to be able to take care of my parents . . . my nieces and nephews and hopefully one day children of my own. My pastor's been preaching a lot about after you tithe, to tithe to yourself, and put 10 percent in savings for yourself.

Tithing structured behavior and influenced saving. Lucia (P) defined tithing:

We are asked to give ten percent of our salary, our income and in our church they say if you give five percent to your church, support your church and give the other five percent to the diocese, our diocese of Tulsa They have different agencies to work with so

that of the five percent goes to that and then the rest is sacrificial giving, it's the extra that you do.

Some respondents believed that tithing teaches people to be effective savers. Geraldine (P) linked tithing to her ability to save: "My morals and my belief in God . . . is, if you don't give to God, you are not going to get a return back, therefore you are not going to have a savings account." In this view, tithing would be rewarded several times over:

I personally believe that the key to getting out of debt will be to obey the Scriptures, which is, pay 10 percent of your earnings to the Lord and then He is the real bank in Heaven that promises that if you will pay 10 percent of your income to Him, He is gonna multiply it back to you. That's seed faith of what you've done above and beyond any job or anything else out there. He is gonna open up other doors for you.

Tithing also has implications for the motivation to save and goals for saving. Michelle (P) referred to tithing as the "the philanthropy of me," and she viewed her savings as a "tool to help people." One IDA participant said that tithing influences children who watch their parents tithe: "Kids go to church with their parents and see them putting it in [tithing] . . . My son, he takes 10 percent out [of his pay]. That's the first thing he does, on his own." In this way, tithing may model for children that setting aside money on a regular basis is not only possible, it is desirable. For Jennifer (P), tithing is a savings goal, the first bill to pay, and "the first form of savings that people do."

Some participants criticized one of the IDA program's financial education instructors for questioning their choice to "give to the church first." Jackie (P) observed that failing to tithe could have severe negative implications for family welfare: "If you keep all 100 percent, it is cursed."

Tithing in some cases could be viewed as a substitute for saving. If the assumption was that the Lord provided for those who tithe fully and regularly, is there any need to put additional money away for one's future? Some respondents believed that there is not a need to save because God will provide. For example, the conversation with Lucia (P) suggested her belief in God's protection negatively influenced her saving:

I just trusted God You know I trust him and he provides, you know. But a lot of people think you have to have this or you have to have that. I don't worry about it. And even though people will tell me, "See what's going to happen – you're not building up any social security." And I say, "So? I'm not really worried about it, you guys, you know, just relax." Someone told me recently that I can collect on my ex-husband's social security. I said, "Okay, God will provide."

Saving Patterns

In this section, we explore the saving patterns in families of origin, in childhood and young adulthood, and as adults in and outside of the IDA program.

Saving Patterns in Families of Origin

More than half of the respondents (46) reported that their families saved at least some of the time as they were growing up. Seventeen respondents reported that their families never saved, and 21 did not know if their parents saved at all.

Saving Pattern	IDA Participants N = 59 (%)	Control Respondents N = 25 (%)	Total N = 84 (%)
Consistent and regular	13 (22.3)	10 (40.0)	23 (27.4)
Irregular*	3 (5.1)	1 (4.0)	4 (4.8)
Saved but regularity unknown	15 (25.4)	4 (16.0)	19 (22.6)
No saving	13 (22.0)	4 (16.0)	17 (20.2)
Unknown / unspecified	15 (25.4)	6 (24.0)	21 (25.0)

* Irregular savings generally defined as infrequently setting aside small amounts of money when available.

For these respondents, there was no monthly pattern of saving.

Source: In-depth interviews.

Among those reporting that their families saved, 23 respondents said their parents saved consistently and regularly and four respondents stated that their parents saved, but inconsistently (Table 6.1). Anne, a control respondent whose father was one of the few who had long-term, stable employment, observed him save regularly. He told her that it was important to have a significant amount of savings on hand at all times, in case of unpredictable expenses:

My dad is a big believer in savings. From the time I believe that he started [at] the airline, he started, they have a thing where they can deduct so much out of your checking that goes to savings each paycheck. So, he has done that his whole life And my father will tell you that you better keep a minimum of \$5,000 in savings at all times. He will tell you that \$5,000 can pay for anything. If you have an emergency, \$5,000 will cover it. So, that's his philosophy on savings.

Lois (P) expressed admiration for her mother, who was a smart money manager and a regular saver (both at home and at a credit union), despite having only a seventh grade education:

She saved in a savings and loan. Like a federal credit union. She would save on my father's job And they were with the credit union there. They had a savings and a checking. I remember—the only thing I can remember is when they would get a car, they would get it from the credit union and take the money out of my daddy's check She [also] always kept money in the house for emergencies.

Lois – Saving for independence

Lois was born with a disability that kept her in and out of hospitals throughout her childhood, but she credits her close family with providing a loving and happy home. She expressed great admiration for her mother, who, despite having only a 7th-grade education, was a “strong-willed entrepreneur” and a smart financial manager. Her father worked for the municipality, and her mother owned a small business. Her mother instinctively knew how to conduct business and save money while providing for her family. Her parents created an excellent financial partnership—“she had the brains and he had the money.” Lois remembered her mother frequently explaining economic concepts such as inflation to her father. Her mother handled all her own bookkeeping for her restaurant, and she was able to see that all her children had a small nest egg with which to start their adult lives. She helped her children purchase their first homes and made certain they had life insurance. Although saving was not explicitly discussed or encouraged when Lois was a child, she remembered her mother saving money in a credit union and in a lockbox at home. Her mother practiced many of the budgeting tips covered in the IDA financial education classes, such as dividing money for bills into separate envelopes. Her mother encouraged Lois to start saving when she moved out and had her first child. Although her parents had a happy and lasting marriage, Lois’s mother frequently warned her three daughters to “never trust a man” and put money aside for emergencies. In her mind, a woman should always be able to provide for herself and not have to depend on a man financially. Lois’s mother passed away a year before the interview, and throughout the interview, Lois expressed sadness at her loss but gratitude and admiration for the example her mother set in life.

Sam (P) remembered that his parents saved for a down payment on a house: “They just opened a savings account. They put back so much every paycheck. My mom put so much back from hers and my stepfather put so much back from his I know they had enough for a down payment on the property and stuff like that, but I don’t know how much it was. So they were saving some.”

Nineteen respondents did not know how often or how regularly their parents saved. They knew their parents had either savings accounts or money in the house, but they did not know how regularly they saved. For example, Kimberly’s (C) parents were uncommunicative about financial matters of any kind. She tried to be different with her own children:

One thing, my parents growing up, they didn’t talk much. So, like, I didn’t know what was going on. I don’t do that with my children. I tell them everything. But, I just think it was a lot of their cultural background that they just came from that didn’t teach and didn’t express. So I didn’t always know what was going on, you know. So, my children, they all have bank accounts, they all have savings. They are very aware of finances and how they work. They don’t have a lot in their bank accounts but they know, you know, when they get extra money they have an option of putting it in there so that’s good.

Of those who knew that their parents saved, 29 said their parents saved in a formal bank account, and 19 said they saved informally at home. Some families may have done both.

Among those who were fairly certain that their parents did not save, respondents said that lack of money, and to a lesser extent poor money management, were the primary reasons. Terry (P) remembered that they had nothing to set aside. “We just living paycheck to paycheck.” Similarly, Becky (P), who was raised by her grandmother, said there simply was no money to save, not even small amounts of change. “She was just barely getting by.” Shondra (P) explained that her mother, a single parent, had no extra money to save:

My mother was a single mother. Her and my father separated when . . . I was probably five or six years old . . . So she raised us by herself. So you know, there was not a whole lot, you know, as far as money, you know, to be able to get money to save or anything. So we never had an actual chance to actually do any saving, you know. So I guess I really never got into a savings pattern, because of the fact . . . it was just not, it wasn't there.

Jennifer (P), in contrast, thought her mother wasted money that could have been saved. “She wasn't a very good money manager, you know, for one thing, she wasted a lot of money. We probably didn't need to go to McDonald's as often as we did. And save? She never saved. My father didn't either.”

Saving Patterns in Childhood and Young Adulthood

Most respondents reported saving money as a child or young adult. Saving was defined broadly in this part of the interview (Table 6.2). It could mean anything from saving pennies to having a formal savings account. About half of the early savers (24) said they saved consistently and half (25) said they saved intermittently (Table 6.2). (The remaining ten respondents did not talk about how consistently they saved.)

Savings Pattern	IDA Participants N = 59 (%)	Control Respondents N = 25 (%)	Total N = 84 (%)
Consistent and regular	14 (23.7)	10 (40.0)	24 (28.6)
Irregular saving*	16 (27.1)	9 (36.0)	25 (29.8)
Saved but regularity unknown	8 (13.6)	2 (8.0)	10 (11.9)
No saving	18 (30.5)	3 (12.0)	21 (25.0)
Unknown / Unspecified	3 (5.1)	1 (4.0)	4 (4.8)

* Irregular saving generally defined as infrequently setting aside small amounts of money when available. For these respondents, there was no monthly pattern of saving.

Source: In-depth interviews.

Those who reported irregular saving were usually saving for smaller consumption items, such as shoes, makeup, or clothes. Once they saved enough money for a particular item, they would spend all their savings, only to begin again when they wanted something else. For example, while in high school, Natalie (P) saved intermittently:

Well, me personally, I could save money, you know, if wanted to buy me some Avon or something like that. I'd do it like, like in high school, you know, I did, that's how I saved

my money so I could shop for my school clothes the summer before my senior year. I had babysitted that whole summer . . . so I had a lot of money saved.

Yvonne (P) described herself as an “erratic” saver unless she was saving for something in particular that she wanted to purchase. Having a goal made her feel more serious about saving.

Well, I never really saved regularly like my parents did. They always saved from every paycheck. I would just put some aside erratically. Maybe a large amount here and a small amount there. But I was better at, if I wanted something specific, then I could save for that.

As young children, Stephanie (C) and her sisters saved their pennies and allowance for things they wanted:

If we wanted something, we would save our allowance for it. [Our parents] would give us an allowance each week, and if it was something that maybe we wanted, they would encourage us to buy it with our own money, so we’d have more respect for it. But as far as a savings account in the bank, that didn’t happen until our senior year.

As children or young adults, 34 respondents saved in a formal bank account, while 27 saved informally at home. Again, some may have saved both ways.

Steven – The influence of early saving

Steven grew up in the south where his dad was in the military for the first five years of Steven’s life and then worked as an electrician. His mom worked as a receptionist. He doesn’t remember any financially difficult times, but he did have to work for things he wanted to buy. Although his parents did not talk openly about money and finances, his father encouraged him to mow yards and do other odd jobs to save money for bikes and eventually a car. Steven bought his first car at age 16 with money he had earned and saved up at home. This experience helped educate him about the need for saving and teach him the value of money. After he moved out at age 17, he opened a checking account to deposit his paychecks and saved enough money to pay off his new car. He spent 10 years working construction and managing restaurants, making fairly good money, but unfortunately he neglected to save very much. Now that he has a family to provide for, he wishes he had had the foresight to save when he was single and making more money.

There was a strong relationship between childhood saving and parents who saved and discussed savings with their children. We observe that 61 percent of respondents who said they saved as children also recall watching their parents save. Furthermore, of the 25 respondents who said that their parents directly encouraged them to save, 24 reported saving as children. Parents appear to have been influential not only in setting a good example for their children, but also in encouraging their children to open a savings account.

Saving Patterns Outside the IDA Program

Most control respondents and IDA participants (prior to joining IDA program) said they found it difficult to save on a regular basis. Forty-five IDA participants said they had saved in the past, but only 19 said they were saving regularly prior to the IDA program. Twenty-six reported irregular saving (Table 6.3). Irregular savers talked about trying to save money, but emergencies or household bills frequently used up their typically small incomes and there was none left over to put aside in savings. For example, Lois (P), a middle-aged widow, found it impossible to save after her husband died and her mother fell ill:

I hadn't been saving since '95 . . . [when] my mother got really, really sick and everything just went on hold. My house. Everything. I moved out of my house. I moved over there with her in '97 because she just got really sick. She had Parkinson's Disease . . . [I] did her bills. I did her shopping. I cleaned her. I did everything for her. And so I wasn't saving, which I should have been, but I wasn't thinking about that. I wasn't thinking about nothing but her getting well.

Saving Pattern	IDA Participants N = 59 (%)	Control Respondents N = 25 (%)	Total N = 84 (%)
Consistent and regular*	19 (32.2)	17 (68.0)	36 (42.9)
Irregular**	26 (44.1)	6 (24.0)	32 (38.1)
No saving	13 (22.0)	2 (8.0)	15 (17.9)
Unknown / unspecified	1 (1.7)	0 (0.0)	1 (1.2)

* Includes 5 IDA participants and 7 control respondents that were saving in a 401(k) or pension only.

** Irregular savings generally defined as infrequently setting aside small amounts of money when available. For these respondents, there was no monthly pattern of saving.

Source: In-depth interviews.

Similarly, although 23 control respondents spoke about saving sometime in the past or present, only 17 reported that they made regular monthly deposits in savings accounts. Six control respondents saved irregularly. The majority of control and IDA respondents saved primarily in formal bank accounts, both checking and saving.

Saving in families of origin and saving in childhood appear related to saving as adults. Fifty-one percent of adult savers (outside the IDA program) had observed their families saving when they were children, and 76 percent of adult savers reported saving as children.

Saving Patterns in the IDA Program

IDA participants varied in the frequency and regularity of their deposits. The rules stipulated a \$10 minimum monthly deposit, but the process was not well regulated, and participants were responsible for their own deposits. As a result, participants varied in their depositing regularity. As Table 6.4 illustrates, 34 participants saved "regularly" (at least 75 percent of the months they were in the program), while 25 saved "irregularly" (less than 75 percent of the months they were

in the program). Forty-eight participants saved in at least half of the months they were in the program.

	IDA Participants N = 59 (%)
Deposited regularly (deposited 75% of months of participation)	34 (57.6)
Deposited irregularly (deposited less than 75% of months of participation)	25 (42.4)

Source: MIS IDA (November 2003)

Wendy (P), a pastor's wife who had a part time job, is a good example of a regular IDA saver. She deposited her whole check into her IDA account: "I get \$25 each week and then once they take out a certain amount and then what the check is written for, I deposit that check each week."

Five IDA participants said they started a direct deposit transfer into their IDA accounts to help them make regular and consistent deposits. Jasmine (P) found this helpful because her busy schedule made it difficult for her to get to the bank every payday. She thought direct deposit was a good solution. She preferred to deposit in her IDA each time she was paid. When asked why she chose direct depositing, she said, "Because I knew that it would get there if I did direct deposit." Without this arrangement, she said she sometimes did not make her deposit: "I always feel like I have a thousand and one things to do. So I just don't."

Fifty-five participants had missed at least one monthly deposit, citing reasons such as limited income and unemployment, unexpected expenses, transportation problems, or just forgetfulness. Those with irregular depositing patterns cited variable incomes and unexpected expenses as the main reasons. Some were self-employed or took on extra jobs to make ends meet, therefore they did not have a regular paycheck from which to budget a regular IDA deposit. For example, Jennifer (P) said that her savings deposits varied based on her work schedule. "Some months [I deposit] \$10 and some months \$60, you know."

Many things interfered with participants' ability to make regular deposits into their IDA. Shondra (P) did not make regular deposits because she needed money for her children:

Even though I did make a little bit better money in the last few years, sometimes, you know, it has been—it's been nice to have that little extra every once in a while. Sometimes I really didn't get a chance to get in there and put as much as I really would like to have, you know—'cause the kids . . . They were there with their hands out, you know. Something always going on that they needed, you know To be honest with you, I haven't been actually been saving like I want to. It just really hasn't been going in on a regular basis.

Claire (P) forgot about the minimum monthly deposit and skipped three months because she was not receiving child support. She regretted missing these deposits and expressed a renewed commitment to making at least the minimum monthly deposit.

Every month. I'll never miss again. Because I really didn't know that and I was really upset when I found that out because I would have done that I would have done without something to put that \$10 in there because I didn't want to be penalized.

Some participants also had to “raid” their IDA savings occasionally, finding that unexpected expenses can quickly alter a monthly savings plan. Michelle (P), for example, was forced to empty her IDA account to cover emergency expenses:

The highest balance I ever had was \$200, which with the match statement was \$600. So that grieves you when you see it go from \$600 to 36 cents And then I started to build it up again and I have up to like 60 something dollars, when I raided it three months ago for the (traffic) ticket. It's back up to \$30 now, but it's not \$200. And it's not what it could have been. You know? I mean, before it had ever gotten to \$200 I raided it a couple times. I'd got hit really hard by the IRS before I left [my job] last year and it'd just kind of been—it was a cumulative year of lots of bad things happening I had car problems and then health problems and the IRS . . . and then, leaving the job I started out really good and, you know I was making \$50 every two weeks deposit. But then I had to turn around and yank it all back out. So, I believe if I had not had the extenuating circumstances in my life at that time that I would have been able to maintain that balance rather than raiding it.

In contrast, four participants never missed a monthly deposit. Rose (P) states: “You've got to. That's the rules. No matter you can put as much in as you want to but you have to put that \$10 in, no matter what. If not, you're out of [the program]. I haven't never stopped doing it and I always do it toward the end of the month.”

Sources of Savings

As adolescents and young adults, respondents derived savings from a variety of sources. As young children they earned money babysitting or mowing lawns. As teenagers and young adults, they began to work in the formal employment sector (Table 6.5).

Table 6.5 Savings Sources as Children and Young Adults*			
	IDA Participants N = 59 (%)	Control Respondents N = 25 (%)	Total N = 84 (%)
Employment	22 (37.3)	10 (40.0)	32 (38.1)
Allowance/money from parents	5 (8.5)	4 (16.0)	9 (10.7)
Extra change	2 (3.4)	4 (16.0)	6 (7.1)
Unknown / unspecified	9 (15.3)	3 (12.0)	12 (14.3)

* Some respondents listed multiple sources.

Source: In-depth interviews.

As adults, the main source of savings was earned income (Table 6.6). They also mentioned other sources, including family contributions, tax refunds, child support payments, welfare checks, and pensions. One woman reported saving some of her deceased husband's life insurance benefits,

and another respondent saved through a program in the military. Irregular savers tended to use some form of lump sum to save, such as tax returns or insurance settlements.

Table 6.6 Savings Sources (outside the IDA program)*			
	IDA Participants N = 59 (%)	Control Respondents N = 25 (%)	Total N = 84 (%)
Employment	32 (54.2)	19 (76.0)	51 (60.7)
Tax refund	4 (6.8)	2 (8.0)	6 (7.1)
Money from family	2 (3.4)	0 (0.0)	2 (2.4)
Child Support	1 (1.7)	1 (4.0)	2 (2.4)
Life Insurance payments	1 (1.7)	0 (0.0)	1 (1.2)
Pension	1 (1.7)	0 (0.0)	1 (1.2)
Welfare payments	1 (1.7)	0 (0.0)	1 (1.2)
Military payments	1 (1.7)	0 (0.0)	1 (1.2)
Unknown / unspecified	8 (13.6)	2 (8.0)	10 (11.9)

*Some respondents listed multiple sources

Source: In-depth interviews.

Once in the IDA program, the majority of participants (54) depended upon earned income as their primary source for IDA deposits (Table 6.7). Although a few participants used extra money earned through tips, babysitting, or side jobs, most budgeted their deposits from their normal monthly income. For some of those depending solely on their usual paychecks (rather than extra money that might be coming in), the decision about when to set aside the IDA deposit was difficult.

Table 6.7 IDA Saving Sources*	
	IDA Participants N = 59 (%)
Employment	54 (91.5)
Tax Refund	18 (30.5)
Child Support	7 (11.9)
Social Security/Disability	3 (5.1)
Welfare payments	1 (1.7)
Loose change	1 (1.7)
School loans	1 (1.7)
Insurance settlement	1 (1.7)
Unknown / Unspecified	1 (1.7)

*Some respondents listed multiple sources

Source: In-depth interviews.

For those who were living paycheck-to-paycheck and were accustomed to spending every penny for daily living, it was difficult to deposit even the \$10 required monthly deposit. For example, Jill (P) had medical expenses that made savings deposits difficult:

I'm supposed to put at least \$10 in my account every month . . . I missed because of the medical problems I've had . . . I missed eight deposits the first year. Sometimes I didn't

have the money, sometimes I would make the deposit too late, and it would miss the month or something. I found it very hard to do. It was very challenging. Well, I had enough on my plate . . . I didn't want an extra challenge. I wasn't able to handle the extra challenge, I don't know. But I went and spoke with the ladies—I guess a couple of weeks ago. They got me back on track. I had a lady look at all my bills—and what is it? My credit record. She helped me look at that and showed me ways to help fix it and things settled. It's what I'm working on now.

Other participants, such as Theresa (P), were determined to save more than the minimum amount by pledging to make their deposit a priority when their paychecks arrived:

She told me I needed, all I needed was \$10 to open this account. I went down and I said, "I'm gonna put \$50 in." It's always been \$50 with me, or at least. Always. It's never been \$10 or \$20. It's always been, from the first day it's like, "Okay. I'm gonna save \$50 a pay period or month or whatever. Whenever I get paid, I'm gonna pay \$50."

Although most participants relied on their earned income for IDA deposits, 18 participants supplemented these deposits with their yearly tax returns. Most qualified for the Earned Income Tax Credit, which provided them with a significant lump sum once a year. Some used these tax returns to open their accounts with a large amount, while others utilized tax refunds to save the maximum \$750 at the end of the year. This way they would receive the maximum annual program match. When Steven (P) joined the IDA program, he thought he could never save \$750, but, as he explained, he learned that his tax return could help:

Well, they were gonna give me money for every dollar I saved. And I thought, "Well, there's no way I can save \$750" I've never had \$750 in the last ten years Then I took that tax class, when I get my income tax back I will have that money. And instead of paying off on the bills like I usually do to get ahead, I'll take that money out—whatever I don't get in through the year—I'll take that money from income tax and put it in there 'cause then I'll have \$750 plus the \$750 they're gonna give me.

Saving Strategies

As people save, they use various methods to help them save. Drawing on earlier case studies (Sherraden, et al. 2000) and survey research with American Dream Demonstration respondents (Moore, et al., 2001), Beverly and colleagues (2003) developed a framework for examining asset accumulation strategies (Table 6.8). The authors proposed that people utilize two different types of strategies to save: psychological and behavioral. Psychological strategies reflect changes in how a person thinks about saving, while behavioral strategies indicate changes in the way the person spends and saves money. People use psychological and behavioral strategies simultaneously to reach their asset accumulation goals.

Within these two types of strategies, there are three stages of asset accumulation: reallocation, conversion, and maintenance. The *reallocation stage* is when people generate the money to be saved. Psychological reallocation strategies may include mentally focusing on an asset goal or

seeking encouragement for saving, and behavioral reallocation strategies include increasing spending efficiency, reducing consumption, and monitoring resource flows.

The *conversion stage* is when people deposit funds into a savings account. Savers may view these deposits as obligatory, a psychological conversion strategy that helps them sustain a savings pattern. Many also utilize a behavioral conversion strategy such as arranging for money to be deposited directly from their paychecks into their savings account.

Stages of Saving	Types of Strategies	
	Psychological	Behavioral
Reallocation to savings	<ul style="list-style-type: none"> ▪ Set and focus on savings goal ▪ Use mental accounting ▪ Seek encouragement for saving 	<ul style="list-style-type: none"> ▪ Reduce consumption ▪ Increase efficiency ▪ Increase income ▪ Sell assets ▪ Increase debt ▪ Postpone income in order to receive lump-sum payment ▪ Monitor resource flows
Conversion of savings	<ul style="list-style-type: none"> ▪ View deposits into savings accounts as obligatory 	<ul style="list-style-type: none"> ▪ Arrange for automatic transfers to saving vehicles ▪ Store money informally ▪ Pay savings account first
Maintenance of savings	<ul style="list-style-type: none"> ▪ Adopt 'rules of thumb' regarding the uses of savings 	<ul style="list-style-type: none"> ▪ Choose financial services that increase the cost of withdrawals

Source: Beverly, McBride, & Schreiner (2003).

Finally, the maintenance stage is when individuals avoid withdrawing their savings. People may use psychological maintenance strategies such as adopting personal rules for the reasons for withdrawal (e.g., only for a specific goal). Behavioral maintenance strategies include choosing financial services that charge for withdrawals. This framework is useful in understanding how people accumulate and maintain savings.

The following sections use this framework to examine saving strategies among in-depth interview respondents. The first section explores saving strategies adopted by control respondents and IDA participants before joining the IDA program (Table 6.9). The second section explores saving strategies adopted by IDA participants after joining the IDA program (Table 6.10).

Saving Strategies: Control Respondents and IDA Participants (pre-IDA program)

We turn first to saving strategies employed by control respondents and IDA participants before they joined the IDA program.¹⁵ When discussing the saving by IDA participants before the program, they are referred to as “pre-IDA participants.”

Table 6.9 Saving Strategies Used by Respondents (pre- IDA)			
Stages of Saving	Pre-IDA Participants N = 59 (%)	Control Respondents N = 25 (%)	Total N = 84 (%)
Psychological reallocation to savings			
Set and focus on savings goal	14 (23.7)	15 (60.0)	29 (34.5)
Use mental accounting	6 (10.2)	8 (32.0)	14 (16.7)
Seek encouragement for saving	0 (0.0)	0 (0.0)	0 (0.0)
Behavioral reallocation to savings			
Monitor resource flows	4 (6.8)	7 (28.0)	12 (14.3)
Reduce consumption	1 (1.7)	10 (40.0)	11 (13.1)
Increase spending efficiency	5 (8.5)	5 (20.0)	10 (11.9)
Increase income	1 (1.7)	4 (16.0)	5 (6.0)
Postpone income in order to receive lump-sum payment	1 (1.7)	0 (0.0)	1 (1.2)
Sell assets	0 (0.0)	0 (0.0)	0 (0.0)
Increase debt	0 (0.0)	0 (0.0)	0 (0.0)
Psychological conversion of savings			
View deposits into savings accounts as obligatory	0 (0.0)	1 (4.0)	1 (1.2)
Behavioral conversion of savings			
Arrange for automatic transfer to savings vehicles	9 (15.3)	6 (24.0)	15 (17.9)
Store money informally	5 (8.5)	5 (20.0)	10 (11.9)
Pay savings account first	1 (1.7)	0 (0.0)	1 (1.2)
Psychological maintenance of savings			
Adopt ‘rules of thumb’	7 (11.9)	3 (12.0)	10 (11.9)
Choose financial services that increase the cost of withdrawals	0 (0.0)	0 (0.0)	0 (0.0)
Behavioral maintenance of savings			
Choose costly withdrawals	1 (1.7)	4 (16.0)	4 (4.8)

Source: In-depth interviews.

¹⁵ More details about saving outside the IDA program emerged in interviews with control respondents than with IDA participants. This distinction emerged not because IDA participants were less likely to be trying to save than the controls, but because both the IDA participants and the interviewers tended to focus more heavily on saving in an IDA program.

Psychological reallocation to savings. In this stage of saving, people begin to view their finances differently, thinking about their income as potential savings. The first thing that respondents said they did to save money was to focus on their reasons for saving (i.e., goals), and to engage in mental accounting as techniques for reallocating money to savings.

Set and focus on savings goals. Fourteen IDA participants believed that working toward a goal made it easier for them to save money prior to the IDA program. As we saw earlier, these goals included retirement, future security, a house, a business, their children, or a car. When asked what makes it easiest to save, Sam (P) said he focused on saving for his children:

Probably making everything better for my kids . . . I just want to give my kids more than what I had. I want them a better education and better toys, clothes, better food, better nutrition than what we used to have in the old days and stuff like that. Take them to the doctor whenever they want. Dentist appointments. My whole life pretty much revolves around my family.

Jocelyn (P) found it difficult to set aside money unless she had something specific to save for:

I've saved for things. I wouldn't ever start a savings even as a kid and as a teenager or when I worked and as an adult—just saving money for just in case something comes up or just to fall back on, but if I've got a goal to buy something then I can put back and save for a car or a house or something like that.

Fifteen control respondents also said that setting a goal for the future was important for developing a savings pattern. These responses included those respondents who were saving at the time of the interview, as well as those who had saved in the past or were planning to start in the future. Laura (C), a 26-year-old woman who was not a regular saver, said it was easier to save when she had a goal in mind:

I don't know what makes it easy to save. I guess when you're determined and you . . . really want something, then you'll be determined to save money. So that would probably make it easy, when you really want something.

Five control respondents specified that their ultimate savings goal to build up a safety net for future security was a motivation for saving. Terrell (C), a 28-year-old control respondent and father of three who saved about \$40 a month, found his motivation in saving for future goals:

The most important thing that can help me save is just thinking about, like what you said, where will I be in five years, where will I be in two years. I know that I can make it happen—the things that I want, you know, the goals that we set—me and my wife together. We both can make it happen. It's just hard staying focused, you know, and sacrificing some things and just not indulging in stuff, just not spending money.

Use mental accounting. Six IDA participants used mental accounting techniques to set aside money before joining the IDA program. This usually involved planning to save large sums of money such as tax refunds. Many respondents qualified for the Earned Income Tax Credit and

found it easier to save when they received it as a lump sum. Those who deposited tax refunds into a savings account were not always able to maintain the savings or continue the deposits, but this mental accounting technique helped them establish an initial savings account.

Like IDA participants, eight control respondents used mental accounting strategies to help them earmark money for savings. Five of these respondents specifically saved or planned to save their tax refunds. Veronica (C), a 30-year-old single mother, looked forward to her tax refund because a lump sum was easier to save than monthly deposits:

Most important things that help me save—my income taxes [refund] Having a big lump sum at one time helps me, you know. I told the banker man, I said, “I’m gonna be back here once a year and make investments.”

Behavioral reallocation to savings. In order to reallocate funds for saving, pre-IDA participants and control respondents employed many different techniques. These changes included reducing consumption, monitoring a budget, increasing spending efficiency, and increasing income. These techniques helped respondents alter their spending so that more money was available for saving.

Monitor resource flows. Respondents also recognized that monitoring monthly resources through a budget was a useful method to track spending and set aside savings. Four IDA participants closely monitored their resources in order to save prior to the program. Following a weekly or monthly budget helped guide their spending with a savings goal in mind. Sonya (P), who saved intermittently before the IDA program, discovered that the only way she could save was to create a budget and track her spending:

At one point when I was at a job that I had, I started making out a little budget. And, I was able to save back some money and then I didn’t do the budget for a while. And then I realized, yeah. But you know? When I didn’t budget, I didn’t know where I was putting my money. And so I didn’t have money a lot of the times and I didn’t always know where it was going to. So when I started back to, you know, having a permanent job again, I decided that I was definitely gonna make sure that I always had a budget. And that way I would always know, you know, well, how much am I spending for this. And then over the few years that I have been doing it, gradually I’ve just weeded out things that I didn’t really need and included things I did need. You know, I kind of whittled it around until I got it the way that I want it.

Most had never received formal financial education, but seven control respondents talked about creating a monthly budget to manage their finances. Anne (C), although an irregular saver who did not make it a priority, found it easier to save when she followed a strict budget:

Being on a budget makes it easier to save. That is the biggest one, not to mention extra money We have an amount set usually that we want to spend on Christmas So, we make sure that there is that much in there. Again, we budget, we budget our savings just like we budget our expenses. You know, we know what we are gonna need in there and we put it in there to keep from spending it in the meantime.

Reduce consumption. Only one pre-IDA participant said they reduced consumption in order to set money aside in savings. Ten control respondents explained that they did (or would) reduce consumption of unnecessary goods in order to put more money in savings. Debra (C), a 23-year-old control respondent who saved \$50 a month, stopped making unnecessary purchases since she started saving consistently:

I have to keep myself from buying things that I don't really need. I realize that I can save more money if I buy less . . . knowing that I need to keep money and to keep on putting money into savings, keeps me from buying unnecessary things. I keep to the very simple things that I need.

Anne (C), a 33-year-old control respondent, had opened a savings account but only saved irregularly. She recognized that she could save more consistently if she cut back on expenses, but it was not a priority for her family:

There's money that we have that I could put back in savings rather than eating out so much . . . And there is a lot of things that we spend money on that aren't necessities in life that could be put in savings but at this time we are young and we still choose to do the fun things in life. So, in that aspect, I think . . . that I could put a lot more back in savings than I do if I had my mind set on it. But at this time in life, it is not as big of a priority as it might be in five years to come.

Increase spending efficiency. Five pre-IDA participants said they increased their spending efficiency by using coupons or shopping for bargains. By saving money on consumption items, they were able to reallocate money toward savings before they joined the IDA program. Several also mentioned that they did things for themselves, such as fixing their car or growing their own vegetables, to cut costs and put money in savings. Five control respondents said they attempted to increase their spending efficiency by shopping at sales, using coupons, and buying in bulk. These methods helped them utilize their limited funds to the greatest extent while saving more money for the future. Jake, a control respondent and single father who saved 10 percent of his weekly salary, continued to live frugally even though he had received a raise:

I mean, I live the same now making what I make now then I did when I was making \$6.50 an hour. I mean, I go to garage sales and I buy stuff at garage sales. If it wasn't for garage sales, this boy would grow out of so many britches it wouldn't be funny. I just wear my overalls, is what I wear to work and I got a couple nice pair of jean I wear . . . to church.

Increase income. One pre-IDA participant and four control respondents increased their income by taking on extra jobs or selling goods in order to reallocate to savings. This allowed for extra money in the budget that could be saved for future purposes. Kimberly (C), for example, started working to supplement her husband's income and achieve their financial goals:

This past year . . . [I] just kind of start thinking different, because I thought . . . that if I ever worked it would be mostly because we had to. You know, we needed the money and [I] had to work. But it got me thinking different like maybe I could work just to kind of

get ahead of the game, you know. And so I applied for a job and I got a wonderful job that I just love. And since that time, we've . . . been saving \$500 every month We paid off a [car] loan that should have taken three years and we paid it off in three months.

Postpone income for lump sum payment. Those who use this strategy may choose to have more taxes withheld from their monthly paychecks in order to receive a larger lump sum refund after filing their tax returns. Many respondents felt that it was easier to save money from a lump sum payment than from their regular paychecks, but only one respondent actively chose to increase her tax withholdings. Because she gets a larger tax refund, Sandra (P) considered this another form of saving.

Psychological conversion of savings. Psychological conversion is the stage at which people convert money into savings. The primary psychological strategy is to view savings deposits as obligatory, like another bill that must be paid. However, no respondents mentioned using this tactic in their pre-IDA saving. Brad (P) was the only (pre-IDA) participant to discuss a psychological conversion strategy, which he felt was simply determination and discipline:

It needs to be passed down from generation to generation, education is the key to it. And the, just the self-discipline to put a little bit back, you know, for the future the discipline to do it, you know, not go halfway, not go three-quarters of the way or drop out . . . just finish it out.

Nor did most control respondents consciously employ this strategy. Only one member of the control group viewed saving as compulsory, and one other talked about the need for discipline when saving.

Elizabeth (C), a mother who saved weekly for her son's college education, viewed saving as a requirement in her life:

Well, to me saving is almost a have-to, just like your bills is almost a have-to. Because if you gonna eventually get, improve out of your situation where you are now, you almost have to save. And even if it's \$5 or \$10, whatever, I think it's very important to do something. You don't always have something to do something with, but I really believe in savings because I know it works.

Anne (C), an irregular saver, explained that discipline was required for a consistent savings pattern:

The word I am wanting to use, it's not dedication, but discipline. That's the word I am trying to use, discipline. For one to discipline themselves in putting something back. The more you put back, the more encouraged you are. Because you've seen that you've accomplished something I think. For someone, especially someone starting out not ever saving, you know, if you put back \$10 a week Within ten weeks, which is a very short amount of time in life, you've got \$100. Once a person that doesn't have any money has \$100 in saving, you're like, "wow!" You know? And I think it grows upon that.

Debra – Sets aside some savings every month without the help of an IDA

After battling drugs and an abusive family in her teens, Debra has been able to build a stable and happy life with her fiancé. She is now 23 years old and lives with her fiancé in a house they are purchasing from his parents. They have a checking and savings account, and although she pays all the bills, they make financial decisions together. They recently bought a car together and are trying to develop a good credit history. Debra is working on her Associate's degree and hopes to become a teacher one day. Although she has not had the opportunity to participate in a savings program like the IDA, Debra has developed her own system for consistent saving. She saves for her education and for emergencies, and once she has children, she plans to maintain a savings account for their future. In the third week of each month, Debra pays all the bills, leaving some money out for entertainment, and deposits the rest into savings. This is usually about \$50 a month, although when her fiancé works overtime, they deposit all of this extra money into savings. Although she is occasionally tempted to make unnecessary purchases, she finds that saving is easy because she has gotten into the habit of putting money away. At this point in her life, she is looking toward the future, and knowing she has money to cover emergencies makes her feel more secure.

Behavioral conversion of savings. During this stage of saving, people begin to physically put money into savings, whether it is a piggy bank at home or a formal account in a bank.

Arrange for automatic transfer to savings vehicles. The most common behavioral conversion strategy was to begin a direct deposit transfer program. Nine pre-IDA participants said that using a direct deposit method helped them save because the money was set aside before they could spend it. Direct deposit transfers were usually available through their employer or another institution such as the military. These institutional structures aided people in starting and maintaining monthly savings deposits.

Six control respondents used direct depositing. Four of these were employer-sponsored 401(k) accounts or stock-buying options. LaVonne (C), for example, had money deposited directly into an annuity in the past. She viewed automatic deposits as the only way she would be able to save:

I like the automatic deduction. That's easiest for me. Now if, anything that you [have] to physically go and do yourself, it is just very difficult to keep that up, you know. You may do it for a few months and then . . . maybe you just won't do it. But if somebody else is doing it and it's not something that you have to deal with . . . and if you have to try and stop it's extra work for you to try to get that, so you just don't do it. It just keeps going and so that's . . . really the best thing. The best way to save is to have someone automatically deduct it from your check.

Store money informally. Five pre-IDA participants chose to store their savings informally around the house. Fred (P) set aside any extra money in a box at home. He deposited some of this money into a CD in the bank, and he used some for vacations:

Back in January I had the . . . box built up to \$1,700. And what I did, I took, starting January of this, this month, I took every side job I done, I put in the . . . box and I

guarantee you in five months I had \$1,700. I didn't know I was making that much money on the side. \$100 job here, \$50 job here, \$75 job here, \$65 job here, sell a washer here for \$250 . . . man, I had \$1,700.

Five control respondents stored savings informally, usually hidden somewhere in their house. Veronica (C) was a regular saver who had a rather complicated savings system that involved hiding away money in socks. Different socks were used for different purposes. She also deposited \$100 a month in a savings account, and she used the money in her socks for short-term emergencies so she would not dip into her formal savings. Thus, her sock system was not only a form of informal saving, but also a method of maintaining her long-term savings account.

Pay savings account first. Another strategy, employed by one pre-IDA participant, was to put money into savings before paying any other bills. This participant had been taught to do this by her former husband.

Psychological maintenance of savings. Several respondents used psychological strategies to discourage themselves from withdrawing their accumulated savings.

Adopt 'rules of thumb.' At this stage in the saving process, savers may adopt simple rules for using their savings to prevent making frequent withdrawals. Seven pre-IDA participants said they adopted rules for their saving. These rules included simply leaving it alone or forgetting about it (3) or only using it for a certain goal or purpose (4).

Only three control respondents said they used psychological maintenance strategies. These techniques included pretending the money was not there, as well as being determined not to withdraw the money. Anne (C), who deposited intermittently in her savings account, considered her savings unavailable:

It's kind of a mental thing. Once you put it into savings, it's not yours anymore You know, it's savings, it's not mine anymore, so—It keeps me from blowing excess money, just spending it frivolously.

LaVonne (C), who wanted to start a savings account for a down payment on a house, expressed a determination not to touch this money:

And I will not touch [the savings account]. I don't care. I'm just gonna have to have that frame of mind that it is not going to be touched this time. And let it build so I can have some money . . . for a house.

Behavioral maintenance of savings. Only two IDA participants discussed using behavioral maintenance strategies to help them keep money in their savings prior to joining the IDA program. Roxanne (P) chose to keep only a minimal amount in her checking account and put all extra money in a savings account because it was harder to access. Joe (P) was attempting to save for his family's future, but unfortunately, his wife was not supportive of this goal. He claimed that she spent any money she came across, so he did not tell her how much he had in savings:

“I get a lot of pressure from my wife [to withdraw savings]. I don’t tell her how much is in there, otherwise she would pressure me to take all of it. I guess it’s my little white lie.”

Four control respondents spoke about choosing to deposit the savings in accounts or other places that were difficult to access. Two had 401(k) accounts with strict stipulations about withdrawals. One gave money to her sister to keep for her, with instructions to only return it in an emergency. Judith (C), who was not saving anything at the time of the interview, was considering opening a savings account “‘cause if you don’t have it in your hand, you are not going to do anything with it.”

Five control respondents spoke specifically about how difficult it was to maintain savings. They would try to deposit money into savings, but they quickly withdrew it for bills, emergencies, or other expenses. As Kathleen (who is highlighted at the start of the chapter) said, it is difficult to save with a low monthly income and constant consumption demands.

IDA Participant Saving Strategies

This section addresses savings strategies employed by IDA participants after joining the program. Table 6.10 presents the numbers of IDA participants who used the savings strategies to build their IDA accounts.

Stages of Saving	IDA Participants N = 59 (%)
Psychological reallocation to savings	
Set and focus on savings goal	34 (57.6)
Use mental accounting	17 (28.8)
Seek encouragement for saving	7 (11.9)
Behavioral reallocation to savings	
Reduce consumption	23 (39.0)
Increase spending efficiency	19 (32.2)
Increase income	16 (27.1)
Monitor resource flows	12 (20.3)
Sell assets	2 (3.4)
Increase debt	0 (0.0)
Postpone income in order to receive lump-sum payment	0 (0.0)
Psychological conversion of savings	
Internalize required monthly deposit	25 (42.4)
View deposits as obligatory/like a bill	7 (11.9)
Behavioral conversion of savings	
Arrange for automatic transfer to savings vehicles	6 (10.2)
Pay savings account first	6 (10.2)
Store money informally	0 (0.0)
Psychological maintenance of savings	
Adopt ‘rules of thumb’ regarding the uses of savings	11 (18.6)

Table 6.10 Saving Strategies Used by IDA Participants Cont.	
Pretend money is not there	5 (8.5)
Internalize IDA withdrawal rules	4 (6.8)
Behavioral maintenance of savings	
Choose financial services with costly withdrawals	0 (0.0)

Source: In-depth interviews.

Psychological reallocation to savings. In order to participate in the IDA program, participants were expected to allocate at least \$10 per month to their savings account. While some had been saving all their lives, for most participants this was a new endeavor that required changing the way they thought about their finances, financial goals, and future security.

Set goals and focus on savings. Thirty-four IDA participants found it easiest to save when they focused on a future goal. This goal might be a specific asset such as a home or a business, or it could simply be a goal of developing a sustainable savings account. Charles (P), who as among the older respondents, believed that goal setting was the key to a successful savings pattern. When asked how he would respond to a friend who wanted to join the IDA program, Charles replied, “Well, first I would ask them some questions What are your goals in life? What would you like to happen to you? What would you like to achieve? How far do you want to go? What sacrifices that you intend to make?”

Roxanne (P) echoed Charles’ comments saying that her goals gave her focus and determination: “I know you have to have your goal Otherwise I won’t, I’ll spend it, I know I will . . . I just need a reason in the back of my head. I have to have a goal.”

Ten of the goal-focused participants said that their goal was to develop a savings pattern and build a sustainable savings account for future security. Focusing on the goal of developing a lifelong habit made the process easier. Terry (P) deposited money into her IDA account to fulfill her goal of having a secure safety net to fall back on:

Interviewer: [What] are the most important things to help you save?

Terry: Just knowing that, that would give me hope for the future. Just knowing that you can’t, you can’t get anywhere without savings anymore. I mean, if you become disabled, nobody is gonna walk up and “Here, let me take care of this.” You know, you’ve got to have some way to have something put aside that you can keep your family running if you have to.

Twelve respondents said that their motivation for saving was the specific asset they would gain in the end. Looking forward to investing a house, business, retirement account, or schooling helped them follow through on their monthly savings deposit. As Liz (P) said, “It was like, ‘Wow. That’s a good deal. They could help me get into a house.’” Shanta’s (P) experience suggests, that for some people who already are saving, the match is a particularly important way for them to purchase a long-term asset (see sidebar).

Shanta – A structured saving experience helps her to save

Shanta moved to the United States with her mother and younger brother when she was in her early 20's. She is now a 43-year-old single parent with a 16-year-old son and lives with her extended family in a suburb. She joined the IDA program to save for her own home in the same suburb so her son can stay at his high school. Shanta was a fairly consistent saver before joining the program, having accumulated enough to open CDs for herself and her son. She has continued this pattern in the program, saving around \$50 per month. She treats her IDA deposit as another bill and has never missed a deposit, going without some “luxury” grocery items if necessary. She is very committed to her saving pattern, and she has saved about \$600 of her own money in just a year. She is grateful for the IDAs structured saving and matching funds, which she believes makes it easier for her to save. The monthly statements are a consistent form of encouragement; she sees that she's doing something right and wants to work harder toward that goal. Although she already knew how to budget her income successfully, the classes were very valuable and helped instill confidence in her saving ability. She explains that it is easy for her to save, even when money is tight, because she has wanted a house for so long.

I know it's going towards something that I want . . . I've been thinking about this, I've [been] wanting it for a long time . . . And I think it's just the way that, you know, to actually do it, you know what I mean? It's just the way that will help me towards it. I need to do it.

She said she would be saving for a house even without the program, but the matching funds provide a unique opportunity for her to reach her goal more quickly.

Fourteen participants specifically credited the IDA program with helping them set and achieve their financial goals. Attending the financial management classes, combined with participating in a structured program, helped participants focus on saving goals. For example, Abel (P) credited the classes with giving him new information that enabled him to control his financial future:

And [the classes] were real good. They're very informative. It gives me control of some stuff, you know, where once I'm made aware of then I can control it better. If I don't know, then I can't control it. I can control my thinking sometimes, like, “you need to save.” Then I can save.

Shondra (P) had difficulty saving even a small amount each month, but she said the little she saved was due to the IDA program:

If it had not been for the program, I probably would not be actually trying to save anything. You know, I would not even have been able to actually do any savings . . . as far as . . . just having some way to actually, you know, have a savings plan.

The participants said that setting financial goals is a key component of the psychological reallocation stage. Mentally focusing on a future goal helped the savers resist spending

temptations and set money aside in a savings account. Goal setting enabled the IDA participants to develop a future orientation and make connections between their current saving patterns and their long-term financial plans.

Use mental accounting. The most frequent form of mental accounting utilized by IDA participants involved reserving all or part of their tax refunds for their IDA account. Seventeen participants specifically mentioned that they had already deposited this money or they planned to once they received their lump sum payment. This was especially true for families with children who were eligible for the Earned Income Tax Credit. Most participants saw this as extra income that could be put toward long-term goals rather than short-term consumption.

Some participants did not put a lot of effort into saving every month because they knew they would deposit their tax refund later in the year. For example, Lucia (P) did not make her monthly deposit a priority because she counted on her tax refund:

I knew that they would match up to \$750 for the year, and I put that amount for my tax return . . . I wasn't good about putting in those \$10 monthly. Many times, you know, I was driving by the [bank] and I was in a hurry to get to where I needed to go and I thought, "Okay, you have to do it," and then procrastinate and then you just don't have the time . . . but all in all I had the idea in mind that when I got my tax return I would put in the lump sum if I hadn't put it [all] in.

Seek encouragement for saving. In order to start and maintain a saving pattern, seven participants mentioned that they sought encouragement from friends, family, and other sources. The knowledge that someone else was checking up on their progress and encouraging them to save may help people save consistently. Jill (P) said she received encouragement to save from her daughter who wanted her to buy a house. Jennifer (P) believed that tithing was another form of saving and that her church helped her focus on her goals:

I think that, for a lot of people, that's the very first form of savings [tithing] they encounter, is in their church. And their church, you know, they teach the children, you know, tithe what you need, that's how the church is run . . . but then too, your goals, and what they are, have a lot to do with that, where you are in life, you know. My church is real big on food storage, that's what gave me the basis, I think, "Well, I should put my money away in this file box, so that I can plan for the next six months."

The IDA program itself was a direct encouragement to save. Richard (P) explained that the classes made him realize the importance of saving: "It just makes me appreciate that it's important to save, you know. When you get older you should have something saved up for yourself, you know, retirement and whatnot." Other IDA participants said that IDA program staff encouraged them to save just by being available to answer questions and offer advice. As Jocelyn (P) pointed out:

Everybody that I've talked to is very helpful, very sweet and when I leave a message they always call me right back. They've always returned my calls—and not only been helpful with their information and you know, very sweet, very encouraging—and saying real

sweet things like, “We just love to see people like you in programs like this that really are trying to do things, you know, to better themselves.”

Behavioral reallocation to savings. To save successfully, people cannot just think about their finances differently, they must also change the way they manage money. In order to allocate money for their IDA accounts, participants utilized behavioral reallocation strategies such as reducing consumption, monitoring resources, increasing spending efficiency, and increasing their income. These behaviors complement the psychological reallocation strategies by helping participants to physically set aside money for saving.

Reduce consumption. Twenty-three respondents gave examples of reducing consumption in order to save money. Consciously reducing their consumption of clothes, expensive food, or entertainment helped people allocate more money toward their savings accounts. For instance, Michelle (P) weighed her consumption needs and wants and factored in her IDA deposit before making a purchase. “If I’m about to make an unnecessary purchase, I’ll stop to think, ‘Okay, have I made my deposit this month?’ And if I haven’t, where am I expecting that money to come from, and do I need to make the deposit with this money now and wait to buy this other thing?”

After joining the IDA program, Abel (P) quit smoking after realizing how much money he was spending annually on cigarettes:

I quit smoking a year ago That was one of the reasons besides, you know, being in better health, was to save all that money from cigarettes That was part of the, thinking about the financial thing—gosh, that’s \$600 or \$700 a year that I was spending on cigarettes, you know?

Knowing there was an incentive (the savings match) gave participants a convincing reason to avoid spending the money on something else. Jackie (P) cut back on buying jewelry in order to save more in her IDA account:

I had always liked a lot of jewelry. But now, whenever I want to buy one ring, I think about “this ring cost \$150.” But in essence this is almost, let’s say it costs \$100, this is now \$300 if I was saving it in my IDA account [with a 2:1 match].

When the interviewer asked Lisa (P) what things made it difficult for her to save, she explained that the IDA taught her to be patient rather than impulsive.

Oh, it used to be the ‘toy factor.’ You know, I mean, you see something and you want it, and you get it, you realize later you shouldn’t have gotten it. Now, I’m a little bit more patient, you know, the patience has come very slowly . . . Like I said going to these money management sessions, each one has kind of opened up the eyes a little bit, you know. But that was the biggest problem for me. And I know it’s the biggest problem with most people. I was just impatient.

Denise (P) said that setting goals and tracking her expenditures encouraged her to spend less on things she did not really need. When asked what she had learned, she said:

How to reach your goals. I mean, set your goals and how to work toward those goals and how to save and track your money. And how to, you know, how we spend money that we really don't need to spend on things that we really don't have to, you know, really don't need. "Wants" can wait but "needs," you know, are important. We did a little thing to where we number them and put them in order as far as our "wants" and our "needs." And I found out a lot of stuff that I thought I needed was really a want, really. It really could wait. I mean it's a lot that I've learned. I really, priorities as far as, I mean, I've learned as far as how to reach a goal and how to save.

Increase spending efficiency. Nineteen participants mentioned that they increased their spending efficiency in order to save money. This included clipping coupons, buying in bulk, or making less expensive purchases. For example, Steven (P) started using the food bank to save money on food:

Yeah, when we talked about the community food bank—on my income level, just having one income and five people, I qualify for the food bank. We don't always go over there. But I remind my wife, I think you can go like every three months, I tell her to go over there, and I think we qualify for like \$30 worth of food, and she gets that \$30 worth of food and that helps us save an extra \$30.

John (P) said that by becoming more careful spenders, they were able to save more. When asked what played a key role in helping him save, he replied:

The classes, the way they told us how to go about saving, budgeting. You know, to set up those things, you look at your income, you figure your bills and you, you know, you see what you got left. And you know, just kind of be careful about extra spending and realize some of the things that you can really do without that you not conscious of. You know, be conscious of what you spend. And that's, I think that was the most helpful thing.

Mark (P) and his wife saved a little here and there by being more efficient.

As far as the dollar here and two dollars there, I'm trying to learn to apply that. If I'm going to be drinking soda, I try to think ahead to just buy a two liter at the grocery store instead of stopping at QuikTrip everyday I'm not very consistent with that yet, but I'm trying to get in that mindset.

Increase income. For sixteen participants, allocating money for their IDA account sometimes meant finding ways to increase their income. This might include working overtime or taking on odd jobs. Steven (P) was willing to work extra hours to ensure that he saved enough to receive his \$750 match:

If I wasn't getting my income tax back and knew that I'd have that \$750, I would work extra hours at work or pick up a part-time job to get that \$750. That's like free money I mean if I had said, "Nah, that'd be too much trouble." That'd be just like throwing \$750 down the drain.

Jill (P) baby-sat once a week and used that extra money to deposit in her IDA account. Depending on an irregular source of income sometimes made it difficult to deposit consistently:

I baby-sit every Thursday night. I put gas in and what's left is what I want to put in my IDA account. And sometimes . . . it's hard or sometimes I wouldn't make enough. You know, she wouldn't be gone as long [T]hat's where there money comes from. That's where I get my money [for] my deposit.

Monitor resource flows. Twelve respondents managed their finances and saving patterns by following a budget or otherwise monitoring their resource flows. This practice helped participants keep track of their finances and consistently generate a monthly savings deposit. For instance, Yolanda (P) started using computer software to keep track of her expenses and monitor her monthly budget:

I never really kept track of my money, you know. I just kind of kept it mentally So I got a computer program and I keep track of my money in my checking account and what I spend it on and things like that. So that's something I do differently I saw all that money going. I didn't know I was spending that much money But you know, you don't think you're spending that much. So when you're actually looking at it, it's like, "Wow." So yeah, it just helped me realize . . . just like going to a movie here and there or getting an ice cream cone, you know, those little things end up adding up.

Participating in the IDA program helped Liz (P) develop a budget and save for home repairs:

And actually getting on a budget, to where before I didn't know how much I made or how much I had going out. No wonder I had so many money problems. And now I actually have in my mind how much spending money I have a month. You know, how much I should be putting back, how much extra I can use to fix this or to get a new washing machine.

Sell assets. Some savers may sell assets to obtain money for their savings accounts. This strategy does not increase the person's net worth; instead it shifts asset holdings. Only two IDA participants discussed this strategy. Neither of these participants were able to save a monthly amount that would result in \$750 at the end of the year, so they withdrew money from other savings accounts to reach the \$750 annual maximum match level.

Psychological conversion of savings. In the conversion stage of the asset-accumulation process participants make deposits in their savings accounts. Income or spending money is converted into savings. IDA participants use psychological strategies such as believing the deposit is obligatory to help them make their monthly deposits.

Required monthly deposit. The IDA program required participants to make a minimum monthly deposit of \$10. Although the program staff allowed for exceptions, most participants took this rule very seriously and were determined to meet the requirement and stay in the program.

Twenty-five respondents stated that the required monthly deposit provided a strong incentive to continue the deposits, even when the financial situation was tight. Internalizing the program requirements and expectations helped participants stay focused on maintaining a monthly savings pattern. Jackie (P) explained that the IDA savings “is like a compulsion. You have to do this if you want to see a dream realized.” Theresa (P) (who is highlighted at the start of the chapter) credited the program requirement with teaching her to be consistent in her saving pattern: “The [IDA] makes it engrained that you *have to*, okay?”

Liz (P) believed the program requirement was important because she agreed with program staff who stressed the importance of frequent, consistent saving as more valuable than saving than lump sums:

The monthly thing—you know, you can’t just get your income taxes and go deposit it all at once and then expect someone to go in “halfies” with you. You know, because this isn’t something anyone has to do. This is a program that they’re teaching, you know, for future, and without having to go every month, you’re not learning to put money back every month. You’re not getting into that habit.

Treating a deposit like a bill. Seven IDA participants found it easier to make monthly deposits when they treated it like a bill that was due. Believing the deposit was obligatory helped them avoid temptations to spend the money elsewhere. Geraldine (P) said, “I guess it’s in with the bills. It’s just like a regular bill that has to be paid.” Pat’s (P) experience was typical of some other IDA participants who learned that they had to treat the IDA deposit like a bill in order to set the money aside:

It’s just like everything else. You don’t put it up there with your other bills, you put it over to the side and it slips your mind. Or you find another reason to spend the money on, another purpose, you know? . . . So you don’t end up putting it in savings. So, you just have to make yourself put it in with your other expenses, just like a bill.

Developing a savings habit. Some of the participants talked about cultivating a “savings habit,” a psychological strategy that normalizes saving and makes it part of everyday life. Rose (P) explained how her IDA savings had become a habit:

You get in the habit, you know, keep at it. I got these good habits, so I believe it will be a lifetime thing. No matter what, even if my income gets worse, I will probably still put five or six dollars away because it’s a habit. That’s my basic thing I think I really learned is that you can save. You don’t have to worry about it.

Becky (P) believed that being in the program for three years and seeing results would help her develop a savings habit:

I think I will [continue saving], because I think after three years it’s going to become a habit. You know, and I could see that I’m making progress by doing that. I mean I see that already, because \$50 a month, I mean that’s really not that much money And

then I see, I ain't even been in there a year and just putting in a little bit which really hasn't even been an inconvenience to me at all. I've already got like \$650 in there.

Behavioral conversion to savings. IDA participants also go through the process of converting income into savings. Behavioral strategies include automatically depositing income into a savings account or consciously depositing a portion of a paycheck into savings first.

Direct deposit. Six participants chose to have their savings automatically transferred from their paycheck into their IDA savings account. Three others had not shifted to direct deposit, but were interested in doing so. Direct deposit transfers allowed participants to consistently save every month without the hassle of going to the bank or being tempted to spend the money. Automatic depositing provides an easy and convenient way for IDA participants to save. For instance, Denise (P), a busy single mother with four children, appreciated that she could make deposits without extra work:

I won't even touch the money. What I did and what I set up is that it come directly out of my check. So I won't have to even worry about it. I know that it's going there. So I'm gonna direct-deposit it in the IDA out of my check. 'Cause I forget, I'm telling you. My mind, it just be busy with the fourth baby. So I set up to where the bank will just take it out and put it right into the account.

In contrast, Sam (P) had considered setting up direct depositing, but he felt more sense of control when he made the deposits himself:

I just don't really like direct deposits that much . . . I prefer going up there and putting it in there myself. That way I can check up on it and stuff like that. That way I know they are not drawing it when I don't need it drawn . . . It is just I prefer dealing with people than having my money just drawn out. People contact. I prefer that.

Direct deposits may not be the solution for every saver, but some IDA participants found them to be an invaluable part of the savings experience.

Pay savings account first. Six IDA participants made a focused effort to deposit money in their savings account before spending the rest of their paychecks, a strategy that demonstrates that participants were making their savings a financial priority. When they deposited into their savings first, participants said they overcame the desire to spend the money and were not worried about making the deposit later in the month. As Lois (P) said, she had learned from her mother to put aside something for herself, but the program reinforced that idea: "I always try to put something back for myself first before I even started paying the bills." John (P) explained that he did not miss the money when he took it out immediately:

No, I really don't miss [it]. I really don't miss it that much as long as I take it off the top. Most important thing, I think, is when you first get your check and when you cash it, you can put something right there, then. You know, instead of cashing a check and going and paying this and paying that and then looking at and say, "Well, I've got to go put something in the savings account." I think you should do that off the top to make it easy.

Psychological maintenance of savings. Some people devise strategies to maintain their money in the savings account. As Heidi (P) said: “My savings account is . . . something that needs to stay there and be solid.” This may be difficult for low-income individuals who may find themselves strapped for cash when unexpected expenses arise. It is also difficult to resist the temptation to use the money for unnecessary purchases. Successful savers often employ psychological strategies to help them maintain their savings accounts. They may pledge only to use the money for their goal, or they may simply forget about the money and pretend it is not there. The CAPTC IDA program limited the number of unauthorized withdrawals that participants could make, which also encouraged them keep the money in their accounts.

Adopt ‘rules of thumb’ regarding the uses of savings. Eleven IDA participants used simple mental rules to determine when they could use their savings. IDA participants joined the program because they wanted to save for a particular asset, such as a home or retirement. Many took this goal very seriously. Eight participants stated that this account was only to be used for that specific purpose. They did not plan to withdraw money until they were ready to invest in this asset and had received their matching funds. Denise (P), for example, was determined not to make withdrawals from her IDA account because she wanted to own a home for herself and her four young children:

I know what I’m saving for . . . to buy a house. And that’s a goal. That’s something that I desire for me and my family. So to me, that is important. And so I just, I told myself I’m . . . just gonna save. I’m not gonna withdraw until it’s time for me to purchase.

David (P), a father who is saving to make home repairs, said that one must have patience in saving toward goals:

[The] IDA has helped me to learn patience in saving. Does that make sense? Like, we are able, you know, savings doesn’t happen over night, you know . . . you set a goal, and you save it. And then when the money is there, you know . . . I can see when we reach the \$750 every year, not spending it and saving for another year . . . I can see that easily happening because you are getting used to watching it build, to not touch it, just let it continue to grow.

Three participants saw their ultimate goal as providing financial security for themselves and their families. These individuals planned to keep their savings accounts after the IDA program was over to provide a safety net for the future. They believed they had already learned how to save, and it would be easy to continue even after the program ended.

Pretend the money is not there. Another psychological strategy used by participants was simply forgetting about the account or pretending the money was not there. They did not think of it as part of their income, therefore, they would not be tempted to make early or unnecessary withdrawals. Five participants utilized this strategy. David (P), the father quoted above, thought about his IDA account as “sacred”:

The IDA is, is like a sacred account, you know . . . it's money that I won't touch. It's like a sacred account . . . it's money that I don't think about . . . until the time comes when I am able to spend it.

Rules for withdrawals. Just as the program rules helped participants deposit consistently, so they also prevented participants from constantly withdrawing from the IDA accounts. The program would only allow for three unauthorized withdrawals per year. Four participants claimed that internalizing this rule provided them with a reason for maintaining their account. Some individuals had never been able to maintain a savings account until they started the IDA program and were restricted from frequent withdrawals. Michelle (P) was able to maintain her account because she abided by the rules:

I believe that the rules are necessary because otherwise people would be raiding it every other week, and they would never accomplish any of the saving, you know? I mean, that's definitely something I take into consideration before I even think about going and touching that account, "Well, I've only got one more withdrawal this year, and I really want to stay in this program." And so, it's a deterrent to go raid the account for money all the time.

Behavioral maintenance of savings. Behavioral maintenance strategies enable savers to keep money in their savings accounts by making it difficult to withdraw funds. These strategies may include choosing financial services that charge for withdrawals or avoiding banks that facilitate easy withdrawals. We did not find evidence of these particular strategies, although choosing to participate in a program with rules for withdrawal suggests that participants were using the program rules to maintain their savings.

Discussion

Respondents generally believed that saving was a wise thing to do. Many had been introduced to the idea of saving through their church, including some who tithed a percentage of their monthly income to the church.

Approximately half of the respondents remembered their parents saving, and more than half recalled saving when they were young. It is possible that intergenerational transfer of financial knowledge, and encouragement to save when young, may be important for establishing a norm for saving. These early experiences potentially lay a foundation for future saving, although no clear pattern emerged in this analysis.

The other half of respondents, however, said their families rarely discussed financial matters and they did not know if their parents were saving any money. Some did not save as children or young adults. There were generally low levels of communication about financial issues between parents and children in these families.

Moving to the present, more than two-thirds of control respondents (17) reported saving regularly, compared to only one-third of pre-IDA participants (19). This could reflect a difference in the two groups, although it could reflect a difference in the way that IDA

participants viewed their past saving compared to control respondents. After the experience of saving in an IDA program, with its match incentive, required deposits, financial education, and support, IDA participants viewed their past efforts to save as comparatively unsuccessful and inconsistent. As a result, IDA participants tended to think about past efforts as relatively inconsequential, while control respondents did not have the same perspective. Further research and analysis, however, are required.

There were many similarities between saving experiences of pre-IDA participants and control respondents. Both groups spoke about how difficult it was to maintain a consistent, self-initiated savings pattern on a limited income. The majority of respondents had opened savings accounts in the past, but few were able to sustain the account or save regularly. Emergencies or other life events arose, and savings were quickly depleted.

After joining the IDA program, participants said they were more successful at saving. Whereas only 24 percent reported saving regularly prior to the program, 71 percent said they saved regularly in the program.

Regarding sources of savings, both groups used earned income as their primary source of savings, although a few respondents saved money from tax refunds. Once they joined the IDA program, respondents were much more likely to save tax refunds and child support payments. Although IDA participants reported that saving tax refunds helped build assets, this method does not conform to the program ideal that encourages development of a savings “habit,” and the idea of regular small savings that accumulate over time. This raises the theoretical difference between saving as personal preference or institutional outcome.

Saving Strategies

Overall, fewer control respondents and pre-IDA participants used specific saving strategies compared to participants once they joined the IDA program. It is important to note, however, that IDA participants judged their use of saving strategies prior to the IDA program more harshly than did control respondents. It appears that participants’ experience in the IDA program, with its strong incentives and saving structure, persuaded them that their prior attempts to save were trivial compared to their saving once they joined the program.

Pre-IDA participants and control respondents said they used psychological reallocation strategies to help them set aside money from a limited income. They tried to free up money to save through various psychological and behavioral reallocation strategies (e.g., focusing on a saving goal, using mental accounting, monitoring their financial flows, reducing consumption, and increasing efficiency). Their responses demonstrate that many individuals with low-income are looking toward the future and are working to achieve the financial goals they have set for themselves and their families. Nonetheless, fewer control respondents said they could save consistently because of their limited incomes. Many IDA participants said that they used to feel this way until they joined the program. But without institutional support, many believed they simply could not save money.

Both pre-IDA participants and control respondents reported being less successful using saving conversion or maintenance strategies. The most common strategies adopted were automatic transfers to savings vehicles (e.g., direct deposit). These data suggest that without support from a program like the IDA program, many begin to save but do not convert and maintain their savings. In interviews, control respondents said that the incentive of matching funds would help them save more successfully. Without some type of institutional support, most respondents suggested that it is difficult to initiate or sustain a pattern of saving.

Once in the IDA program, participants found it easier to save and employed more saving strategies. For example, prior to joining the IDA program, participants reported no psychological conversion strategies. They talked more about goals and were more likely to use a budget once they joined the program.

Participants said that the IDA program offered structure, information, and encouragement that made it easier to save. For example, the savings incentive required that participants have a savings goal. This provided a psychological strategy for reallocation by encouraging them to make a connection between current saving and future security instead of focusing on short-term consumption. Further, the program encouraged them to set money aside by providing ideas for how to reallocate from consumption to spending. Participants monitored their resources and tracked spending, helping them to eliminate unnecessary purchases. Creating behavioral changes required a conscious effort on the part of the saver, and the IDA program provided participants with a structured and supportive method for changing financial patterns.

The IDA program also provided reasons to convert money to savings. The program made deposits obligatory (psychological conversion) and recommended that participants “pay” their savings accounts first. Participants talked about using the minimum deposit rule to internalize a monthly saving program. Many said they understood that it was important to think of all savings, not just the IDA, as obligatory in order for savings to accumulate. Believing it was optional made it easier to forego saving in favor of short-term consumption. The IDA program helped instill this psychological strategy that participants could potentially continue after the IDA program ended.

Few participants, however, increased their use of behavioral conversion strategies. Seemingly small barriers such as transportation issues or separate banks stood in the way of successful saving, according to participants. This suggests that support and knowledge gained from a program is undercut if participants cannot easily deposit money in their account. Interestingly, nine IDA participants directly deposited money into savings accounts before the IDA program, while only six utilized direct deposit services in the program.¹⁶ This indicates a problem in universal access to such services.

¹⁶ It is noteworthy that the IDA program did not set up a direct deposit system. Participants had to make their own arrangements for such a system. But those who did said they found it useful in encouraging regular and consistent saving.

By penalizing participants who withdrew their money (psychological and behavioral maintenance strategy), the program encouraged participants to maintain their savings. Rules governed withdrawals and the savings incentive (match) was forfeited if the money was withdrawn for unapproved purposes. In order to comply, some participants found it easier to avoid withdrawing their savings from the IDA account if they pretended it was not there, another psychological maintenance strategy.

Despite the help from the program, several participants said that savings strategies are difficult to employ without participation, involvement, and support by other family members (particularly spouses/partners and other adults in the household).

Many IDA participants and control respondents talked about wanting to save in the future. To some extent, this desire may be a result of the interview itself. Many control respondents seemed disappointed in their lack of savings and declared they would try to save more in the future. Some had never saved before, but the interview brought it to their attention. Even some IDA participants vowed to save more frequently after the interview. This may prove to be a short-lived promise born of a socially desirable response. It also suggests that structure, information, and support, encourage people to desire and maintain a regular saving pattern. But the data overall suggest that without a savings program, it will be difficult for people to reallocate, convert, and maintain their savings.

7. Saving and IDA Program Effects

The IDA program "played a most important part in my life. It has restructured a lot of things that I never thought that was possible for me normally, than before I entered this program. . . . [The] IDA has already set me on the road with an idea, with a goal and an achievement with a purpose in life." —Charles (P)

This chapter explores saving and IDA program effects.¹⁷ Although the emphasis is on the effects of saving, in the case of IDAs it is difficult to sort out the saving from other program effects. This chapter examines the experiences of respondents saving in IDAs and other savings instruments and compares those to the experiences of respondents who were not saving. We ask two questions: (1) What do respondents say are the most important effects of saving, including economic and non-economic effects? (2) What, if anything, distinguishes people's saving experiences in an IDA program from those who save outside of a structured saving program?

The effects discussed in this chapter include psychological, cognitive, and economic effects of saving. Psychological and cognitive effects involve other changes in behavior, beliefs, feelings, and attitudes. Economic effects refer to the material effects of saving.

Cognitive and Psychological Effects of Saving

Saving has a variety of psychological and cognitive effects. These include increased feelings of short- and long-term security and reduced stress, greater self-confidence, increased ability to set and achieve goals, and a greater sense of responsibility and increase in civic attitudes (intentions to contribute to the welfare of others) (Table 7.1).

Table 7.1 Psychological and Cognitive Effects			
	IDA Participants N = 59 (%)	Control Respondents N = 25 (%)	Total N = 84 (%)
Security	27 (45.8)	8 (32.0)	35 (41.7)
Confidence	15 (25.4)	4 (16.0)	19 (22.6)
Future orientation and hope	14 (23.7)	5 (20.0)	19 (22.6)
Responsibility and civic attitudes	4 (6.8)	0 (0.0)	4 (4.8)

Source: In-depth interviews

¹⁷ Increased use of savings strategies among IDA participants could also be considered program effects, but these are discussed separately in chapter 6.

Security

For some, having savings offered a sense of security and backup. For example, Victor (C) described the times when he had a savings account: “Well, the only way I could describe it is that you feel secure. If the car breaks down, or whatever, you don’t have to worry about where the money is going to come from for the car to be fixed, you know. And those things are part of life.” LaVonne (C) felt a “peace of mind to know that you have something saved,” and Terry (P) felt “better knowing you have savings. It’s a little bit of security, you know.”

Even though IDA programs are designed to encourage savings for long-term asset accumulation, not all IDA participants viewed their IDA savings in this way. A few saw their IDA savings as an emergency backup.¹⁸ For example, Yolanda (P) said, “I mean, I know it’s there. I know I can use it when I need to. And if I did have an emergency and I did need to take it out, I know I can do that too.” Shirley (P) said that her IDA meant “just a little bit of security, and plus just like a little backup plan.”

Control respondents also said that savings provided a sense of security. Laura (C) said her savings were important “because if something comes up that, you know, I need or I have to have for my son . . . like if he gets sick or something . . . it’s there.” For Debra (C), a reserve fund kept her “feeling safe.” Another control respondent, Kimberly (C), said that their small savings made them feel more secure because it offered more spending choices. In this case she and her husband were able to pay for a doctor who was not covered by their insurance:

We know it’s there and that feels good, you know, makes you feel secure. There have been times—we don’t like using traditional doctors. So to go to naturopathist. . . . You know, you have to pay out of your own pocket. So we like thinking about that too and having that extra money in case we want to go that route again. We have done that in the past. Where we have had to take \$500 out of our own pocket to pay for doctors. And we don’t regret it but it means we have to have that extra in savings at times in case we ever need it.

In some cases, the respondents (both participants and controls) said that the security that accompanied savings reduced stress. In some cases, backup funds were a form of insurance when income flows were unsteady. As Dorothy (P) said, referring to her business, her (non-IDA) savings were “something that keeps me from getting frantic when I’m not making any sales.” Grace (P) felt better knowing that her savings were there if she needed them:

It is kind of a relief to have that money in the bank if you know you made need it. It is a little less stressful, you know, like car tags and stuff like that that come up, or you know, you still have those expenses. It’s just nice to know that if you, if money is going to be tight, you can always, you can still withdraw that money if you need it. And I haven’t had

¹⁸ IDA participants could use their IDA savings (not the match) for emergencies, and were allowed to make up to three withdrawals per year for this purpose. However, they were encouraged to redeposit the amount as quickly as possible. The newly deposited savings were eligible for the annual match.

to do that yet. But there has been a couple of times where that has been a relief to me to know that that money is there so. It's a little less stressful.

While "security" sometimes meant being able to cover these short-term exigencies, such as a flat tire or extra baby diapers, at other times it meant long-term security.¹⁹ Long-term savings meant not having to worry about having enough money in the future, being able to afford asset purchases in the future, and providing financial protection and inheritance for children. For example, Sonya (P) made a clear distinction between emergency short-term savings and her IDA savings—which she considered long-term savings:

See, I have some savings I have set aside just for one thing and I don't touch that for any reason. Then I have savings that I set aside just in case I need money for something. So, it just depends on what it is that I have saved it for In other words, I have security savings money and then I have money that I have saved up for something specific.

Geraldine said that her IDA savings were a "security blanket." Although "the match was the thing that hooked me in, now I'm there and I know what it feels like to have backup. You know, just knowing that there is a security blanket there. Even if I don't touch it, it's there and in our family". Some spoke about their savings as offering "peace of mind." Dorothy's IDA, for example, would (along with her social security), offer "peace of mind" in retirement:

Well it gives me peace of mind to know that I will have some money whenever I'm too old to work. I mean, I don't plan to retire as long as I'm able to function, but it would nice not having to work so hard. And it's to know that that will be there. I mean, there's not going to be a lot because I started so late in my life but its better to start now than not at all. It's better to have a little bit than nothing.

Although LaVonne (C) saw her small retirement savings as "peace of mind", other control respondents did not typically talk about savings as offering long-term security because they found it difficult to save for long-term uses.

Self Confidence

Being able to save and the feeling of being a "responsible" adult, heightened respondents' self-confidence. For example, asked about her overall feeling about the IDA program, Denise (P) said, "It's great. It's a blessing I mean it really gives people the confidence that they can do it with the help of the IDA." Geraldine (P), although a low saver, felt better about herself because she learned she could save: "I'm saving more than I ever saved. I'm still not where I want to be or need to be but I am saving. So I feel good about that." Becky (P) felt a sense of

¹⁹ Another word that had different connotations depending on the speaker and the context, was "nest egg." For some, "nest egg" savings were for the long term. However, one person used nest egg in a very different way. Talking about short-term emergency savings, Claire (P) said, "I've always had my nest egg. I've always tried to save money and be like a month ahead. I'm going to need this money in case anything happens and you know . . . I need to have some money on me and I don't ever want to be stranded or left like that without."

accomplishment. Whenever she improved her house with her savings, she felt good: "Whenever I do something like that, that I put money in there and it was quite a bit, it makes me feel better about myself."

Some participants acknowledged the role of the program in helping participants save and boosting their self-confidence. Charles (P) said, "I think the . . . program . . . give[s] everyone a sense of being appreciated. It gives you a sense of knowing where you are. It gives you a sense of being independent of your own self. To bring out the best in you that you had not known that was there."

Control group members also said they felt better about themselves when they were able to save. Describing childhood saving, Camille (C) said that it felt good when she saved as a youngster: "It felt good, you know, to look and see that I actually had some money that belonged to me." Veronica (C) said that getting her debt consolidated and beginning to save some money resulted in a little more confidence: "I feel more confident a little bit. I feel like I can do things A couple of years ago I couldn't even see myself trying or even wanting to go to school. Now I want to go. I want to go back."

The few who were unable to save expressed disappointment. For example, Shondra (P) was a participant who wanted very much to save, but was largely unsuccessful because of economic strain in her family. In contrast to other participants who felt more self-assured, she was disillusioned:

Now I was very excited at the beginning you know, certainly and after, you know . . . getting started and everything and actually not being able to have what I want. I've been really, you know, disappointed, you know, and everything. In myself, not within the program. Because the program I think is wonderful. It is just, you know, just disappointment with myself, and not—just still being in that same rut, you know, that rut that I've been in, you know, pretty much so all my life, you know and everything. 'Cause I don't get any support for my children's . . . father, you know, so it's like, you know, you pretty much so stuck in a rut when you are trying, you know, just trying to make ends meet from day to day.

Future Orientation and Hope

Savings provided a way to think about the future. Fourteen participants and five control respondents talked about their savings as offering potential positive choices down the road. For example, Lois (P), a middle-aged widow who was saving for home improvements, said: "I know that there's something in there, in the bank, and that if I keep adding to it then, you know, it will help me, help improve my life very much."

Michelle (P) described how the program has helped her look to the future and discover more of her life goals:

I believe that a lot of things of who you are and what you want to do, and goals in life are all inside of you. And it's [the] realization, coming to discover your purpose and realizing

who you are and what your gifts and talents are, and what you're called to do, that unfolds, kind of like a, how a flower starts out like a bud, and you don't see it—a flower as a flower when you're looking at a bud. But then as it grows and matures, the petals unfold and then it becomes a beautiful rose . . . I wouldn't say necessarily that my life goals have changed, I would say that I've discovered more of them.

Building up savings helped some people set goals for the future. As Theresa said, the IDA program and the savings she could accumulate in three years, encouraged her to set goals and framed the way she was thinking about her life:

I set my goals again—after I joined the IDA program, because when I joined the IDA program—just going to the classes and listening to the things and saying, "Okay, this is what I'm saving for. This is how much time I have. This program is three years, so okay." I mean, that kind of structured my whole goal setting for everything else that I'm doing.

Linda (P), a single mom, said that having savings helped her plan how to take care of the various spheres of her life. Thinking about job, transportation, and housing, she believed that the IDA could help her own a home:

I mean, it, it changed priorities. I know that if I can take care of the job part and take care of the vehicle part that [the IDA] is going to help out on the shelter part. You know, this is not something, I couldn't have done near this on my own. So if, if, I've already got some assistance in this area, and if I can take care of, you know, bettering myself in my job place or if that is getting another job or going back to school, if I can take care of my vehicle, that, that area, then I know that by the time I am ready to do this, that my entire life, you know, I just moved stuff a whole level as far as where I'm living, what I'm driving, how I'm working. That this is one, you know, it's a pie that is split into three. If you've got your transportation and your job and your house, your three main things in your life, that's a huge part that, that's really taken care of, if for me, in a lot of ways if I just do my part.

Charles' (P) savings and participation in the IDA program gave him an incentive and strength to think about the future: "It opens my intellect, it opens my eyes, it gives me an incentive to go on from where I am. It strengthens me, it strengthens me really."

Part of this change included having a different mindset. Mark (P), for example, had decided to play an active role in realizing his future, unlike many Americans who have a "lottery sort of mindset," waiting to win instead of taking responsibility and working hard:

My financial goals aren't just going to happen. There's not going to come a day that it just all of a sudden I have a lot of money. It's not going to work that way. But the only way that's going to happen is if I start doing the little things now that will build up to that, that I'm going to take responsibility for that. I don't know, I think that part of the American Dream, of the American mindset now—the American Dream used to be that if you worked hard enough you would eventually achieve your goals—you know, these things would eventually happen. And I think the American mindset now has become—I think

we feel like people that have succeeded, people that are making it, that that just sort of happens, you know. . . . I think it's a lottery sort of mindset that some people win and some people lose. And so all you can do is just sit there and hope that you win some day. And that's not the way it works, unless you win the lottery. But for most people, it's what you do that's going to make a difference.

Natalie (P) viewed her savings as an investment in her future: "Instead of spending the money, I'm saving. And to me, I'm saving for an investment. Cause when I do make the purchase, whatever it will be, it's gonna be an investment towards my future, towards me being successful in my future." Liz (P) also saw a connection between saving and having a better future:

I'm just beginning to build goals that I wouldn't have thought about if I wasn't in the IDA program. Or actually think about a saving account or something. It wasn't even important before that, until you go in and you see, "Wow. This is important." You don't want to be paying rent and you don't want to be working at McDonald's when you are 75. So I think it's easier to save money now because it's more important.

The few control respondents who were saving for the long-term also said that their savings provided greater options for the future. Elizabeth, a control respondent who was a long-term saver, pointed out that long-term savings offers security, but it also offers a sense of control and hope for the future. When the interviewer asked her about the meaning of her savings, she replied: "Security, number one. And power. Money is power." Without savings, she said, there was little hope:

Because when you have only what you're earning and there's none left over (which I saw a lot in my life), to not even take \$10 out, you looking at a very grim world. Because it spells no hope. And when you have no hope, you cannot move to the next phase of things, even if you want it.

Responsibility and Civic Attitudes

Interviews with participants and control respondents revealed that accumulating savings and assets may contribute to an increased sense of personal and civic responsibility. Despite the fact that many people are never able to save much money in their lifetimes, this study suggests that people think they *should* be saving. As children, many were told that saving is the mature and responsible thing to do. Therefore, when they were able to save they said that they felt that they were accomplishing something right, something responsible. Shanta (P) said the program made her feel personally more responsible: "Like wow, I've got some down payment. You know . . . it makes me feel like I'm doing something right and I want to continue to do it."

Heidi (P), a low saver, felt an increased sense of personal responsibility because the IDA program had placed trust in her by investing in her and expecting her to save money in return. She believed this resulted in more responsible behavior. When asked if any of her spending or saving had changed in the last year, she said she felt responsible for doing something useful with her savings:

I think the main thing it's done for me is that it's saying, "We're giving this to you." You know, it's a blessing, it's you know, I wouldn't ever had, you know it's just like somebody giving you \$750 a year, you know? And what do you do with it? You either make good for it, or you do something with it. So, it's saying, "We're giving you this and do something with it." So, kind of like a trusting or a, I don't know, it just makes you want to do something good with it. You know? Like if somebody was gonna give you \$500, you know, what are you gonna do, go out and blow it? Or do you spend it on something you know that person would want you to do with it. So, I think that's the main thing. . . . Just kind of putting it in your hands and saying, "Do something good." So, I don't know. It's kind of like the responsibility thing. You know, the more responsibility you get, the more you do with it.

A few participants said that their savings and sense of responsibility encouraged them to think more about other people and the community around them. For example, David (P) believed that in addition to learning how to save, the IDA also changed his outlook:

[The IDA has] changed my outlook a little bit. It's made me, maybe kinder, you know, in a sense, more aware, you know. I'm serious, when I was attending these classes and I'd see these people in there who haven't owned a home, you know, and who had no, no chance of owning a home. But when I see them, you know, they are talking about saving the money that they are gonna save, you know, man, that feels good, you know. Because you want the people in the world to be able to own their own home, to have their own things and such, you know. And so I guess it's, it's, I don't want to say it's made me kinder and stuff, but, you know, it makes you feel good for these other people, you know, that wouldn't get a house, who haven't owned a house in their whole life. And to own a home is just, you know, after you've never owned anything, you know, to be able to own a home—that kind of feels good for other people, you know.

Michelle (P) said that having savings gives a person the flexibility to help others and act in an altruistic manner towards others: "If you don't have saving put aside then when somebody comes to you in need, if you don't have savings then you can't help them. And so part of that is the philanthropy of me, is I want to be able to help people around me. And so savings I see as the tool to be able to do that."

Control group members also said that savings (when they had them) made them feel as though they might be able to help others. For example, when the interviewer asked Kimberly (C) what changed during the times when they had savings, she said that with savings she could help others: "I can maybe help somebody else. And like we did. We did [give to Oral Roberts] University. That . . . empowered us to take control of our life more." Although this could simply be a reflection of greater income and an increased ability to save and give money away, an increased sense of self-esteem may also be linked to a desire to help others. For example, Elizabeth (C) said that having savings and heightened self-worth might lead her to help others in a way that she was never helped as a child:

It gives you a great sense of worth—and that you have a goal—and you know, one day you gonna have something that you can live off of or something that you can do

something major with or even make an impact on someone else's life. See, as a child I never had that. I had to always be the, you know, we had to always be the one to do it. I didn't have a rich uncle or a millionaire, you know, daddy where—I'm the man, I'm the person.

Nancy (P) said that owning a home makes her feel more invested in their neighborhood: "It's like teaching people to read and write. Homeownership changes your life and that you're now invested, you know, in the neighborhood and everything and make people belong in society and their way of thinking and all of that."

Economic Effects

I can be penniless and I don't even think about that money that is in there this money is for something. I'm not gonna touch it. I think it helps—helps a person set your priorities a little bit, you know. And then besides saving for the purpose and accomplishing a goal and feeling good about yourself, that you got a part in it and you got rewarded for doing it too. – Natalie (P)

IDA participants and control respondents reported economic effects of saving, including greater savings and an increased ability to save. They also expressed intentions to continue saving in the future (Table 7.2).

Table 7.2 Economic Effects of Saving			
	IDA Participants N = 59 (%)	Control Respondents N = 25 (%)	Total N = 84 (%)
More money and greater ability to save	25 (42.4)	8 (32.0)	33 (39.3)
Investing in an asset	16 (27.1)	5 (20.0)	21 (25.0)
Plan to save in future	30 (50.8)	2 (8.0)	32 (38.1)

Source: In-depth interviews

Generally, IDA participants reported greater economic effects, including an increased ability to save, more savings and investment in assets, and greater determination to save in the future.

IDA participants' savings led to asset investments. As of March 2004, the last month allowed for matched withdrawals, 37 IDA participants had invested in at least one asset, including ten that had invested in more than one. Table 7.3 shows how many participants withdrew their IDA savings for what purpose(s). (See also Appendix 2.1). More than a third of participants did not withdraw funds.

	IDA Participants* N = 59 (%)
Home repair	16 (27.1)
Retirement	12 (20.3)
Home purchase	10 (16.9)
Education	9 (15.6)
Microenterprise	2 (3.4)
Unable to save	11 (18.6)
Lost interest	10 (16.9)
Moved out of the area	1 (1.7)

*Number exceeds 59 because nine purchased more than one type of asset.

Source: MIS IDA (2004)

The largest number of IDA participants (16) withdrew IDA savings for house repairs and improvements. This number is high in part because the funds needed (and in some cases, time required) are less than what would have been required to purchase a home. For example, Brad (P) already had used IDA savings twice for home repairs. He said a major benefit to having the IDA savings was that he did not have to cover these repairs with their household income:

It helped me with those houses at a time when I needed it. I'd have had to do something else, you know, that might have hurt the family at that time. I don't know what I'd have had to do. I'd had to go sell my truck or something, I don't know. (Laugh) You know, and I've got to have that to work, to make money for them.

Some pointed out that the repairs they made increased their family's net worth. For example, Sonya (P) said that her IDA gave her "extra money to use that I wouldn't have otherwise had, you know, for my home repairs," which resulted in a "better market value for my house." Steven (P) said that if he had not been in the IDA program, he likely would have used the family's financial surplus to repair the house, but it would not have gone as far: "You know, we might have gotten a back door. Like I said, we're right in that transition period where now we have more money available. So we might have done some work on our house. It needed it but we wouldn't have done \$750 worth of work on it".

Sam (P) and his wife said that their IDA savings would result in needed repairs:

Now [my wife] knows that stuff will get done around the house instead of having to wait, you . . . If something happened [before] it would be, "we'll just have to wait until I get some extra money or we'll have to wait until something." Now, where we've got the IDA money as long as it is something for the house, we can repair it. So, say if the roof leaks or something, we can get it fixed instead of having to wait on it. If somebody comes in and throws a bottle through the window or something we can get it fixed.

Among some of the participants, the IDA helped them accomplish their goals faster. This was particularly evident when they talked about home repairs. Having the matching money eased their burden and the time they needed to save for the repairs. Sonya (P) put it this way when

asked what she would have been spending her money on if she was not in the IDA program: "Probably the same thing. It's just that I wouldn't have as much to work with." Or as Sam explained,

It would just be harder to do the projects. You know. It would just be harder to get things done. Instead of, you know, putting in a whole new bathroom, you'd only be able to put in a toilet or a tub or something. You'd have to wait until next year to finish it up or something, only getting half as much It would just make the projects longer.

Twelve participants had invested their accrued savings in a retirement account, mostly in Roth IRAs. Most of them discussed having these retirement funds as increasing their sense of financial security over the long term (see prior section). This number may also reflect a program bias because the IDA program allowed participants to roll their savings into a Roth IRA if they were not ready to make another type of asset purchase at the time of program completion.

Nine participants had withdrawn from their IDA account for education. Grace said she was returning to school with the help of her IDA account. Jennifer (P), an IDA participant, said that with her IDA savings she could afford to pay tuition and books and also be able to support her family:

[The IDA] represents food, it represents my child, the difference between, you know, my child literally not having a birthday present on his birthday, because that money can be used for school, which will free-up other funds that I can use And part of my school money, by having the money in an IDA account, and them matching it, my tuition is gonna be exactly covered by that money, and my books. I may end up with a couple dollars for my books . . . which means my children will have some clothes when school starts.

Although 25 participants reported saving for a house, only ten withdrew money for a down payment by 2004. None had withdrawn their money for a house at the time of the in-depth interviews. Similarly, two participants had invested in their own businesses by 2004, but had not done so at the time of the in-depth interviews in 2000.

Plans to Save in the Future

Over half of the IDA participants said they intended to continue saving after the program ended. IDA participants said that as a result of participating in the IDA program, they learned how to save. They said it had become a "habit" and they understood better the importance of saving.

Although further study is required to observe if saving actually continues, several described their future savings plans with certainty. Denise (P) said, "I'm just gonna continue [saving] for a considerable time. I mean, you know, just, I'm not going to stop. After I purchase [my asset], I'm just gonna keep saving." When asked how long he planned to keep a savings account, Ian (P) said, "Oh, . . . that's forever, you know, until I go on. That will be there." Tyrone (P) asserted that "We're gonna save even if we're not in the program."

The interviewers asked how they would manage without the program structure and without a match. For example, the interviewer asked Terry (P) if she had a savings goal before she joined the program, she said, "No, not really. I didn't think it was possible to save anything." When asked if she would continue to save after the program ended, she said that she planned to save even without the IDA match because it had become a "habit" and she had learned how to set money aside:

I'll probably continue saving now since I've gotten in the habit of it. I'd like to, it's just—I never know how long my health is gonna hold out and I need to have something to fall back on if I get ill again—pay yourself first—so it has given me a good basis of learning how to save and why you should save."

Jennifer (P) said that saving had become part of her life:

Like I said, I plan to start saving for my house and my car, trying to figure out how to get out of these debts. And then, I plan to start saving for a house and a car, so I'll probably just end up taking that account and possibly, or a different bank . . . You know, at that point, saving is just something I'm constantly doing. I think it'll be real easy to just step into just turning that from this account into something else.

Richard (P) also planned to continue saving in the same way he did in the program:

Of course I'm in the program and the requirement, you have to do a certain amount a month. You have, they have to see you put something up every month, right? And that's okay, that's good. But when the program is over, definitely I will have a set savings plan. And I will save something every month. And it's because of the program.

Others wanted to continue saving, but were unsure that they would. For example, Joe (P) said he would try to save: "I'm gonna keep trying to save, that's what I want—to have some money set aside for the future," but he offered few details on how he would accomplish this. Abel (P) was hopeful, but not sure he would continue to save: "Hopefully this experience will help me to assume that responsibility to actually put some money in savings." Mark (P) was also hopeful that he would continue to save in the future, but it sounded as though he was trying to convince himself: "And so it's made me—I'd like to think that after the program is over that I'll still see savings as something important, even if it's \$20 a month, that it matters."

Some respondents suggested that it may be difficult to continue to save without the program structure. The matching funds, for example, provided an important incentive for Linda (P): "How long would I save without getting that matched? I don't know. . . . if there wasn't some motivation for getting it matched, I probably wouldn't save at all."

Control group members were even less certain of their ability to save in the future. Only two control respondents said they planned to save in the future. Elizabeth (C), for instance, said she planned to save for "the rest of my life."

Others talked about the possibility of saving, but were less confident. The following interchange among the interviewer and a couple, Victor and Esperanza (C), who were not in the IDA program, illustrates the difficulties of saving. They believed it was important to save, and they understood that saving requires changing habits and cutting back, saving little by little. However, they did not seem convinced of their ability to follow through:

Interviewer: But do you plan to start saving in the future?

Esperanza: Oh, yes, we want to. We do want to.

Victor: We have to. I'm not getting any younger.

Interviewer. So, what would make it easier for you to save, because you told me you were planning to. Right now, you're not saving. Why do you think in the future you'll be able to save?

Victor: Well, because right now, like you're saying, you know we're putting a lot of money into the house. And that money has to be paid, it's not free.

Interviewer. OK.

Esperanza: But what makes us think we can start saving now, if we haven't really done it up until now?

Victor: Well, there comes a time when you have to.

Interviewer. But how do you plan to do it?

Esperanza: Yeah? Are you going to quit smoking?

Victor: Cut down on certain things. You have to.

Esperanza: Yeah (laughter).

Interviewer. Like you said cut down on certain things. Like what?

Esperanza: Cigarettes.

Interviewer. OK. How much do you hope to save when you start saving? And what will you be saving for?

Victor: Whatever we can save, you know.

Esperanza: He wants to save for a little truck. I want to save for retirement. So those are our two important things that we want to save for.

Interviewer. So, but you didn't tell me exactly how you would do it.

Esperanza: Dollar by dollar, week by week.

Victor: Yeah that would be about the only way.

Effects on Children and Family

As we have seen, asset investments were often viewed as a way to improve the lives of children. Seventeen of the 42 IDA participants with children at home and seven control group members with children at home mentioned that their savings would benefit their children. They were saving to pay for their children's education, improved living environment (home purchase or home repairs), or more generally providing for their future. Like Steven who talked about the positive effects of home repairs on his children's health, others also believed that their savings would have a positive impact on their children.

Respondents linked the idea of accumulated savings with their family's future. Veronica, a control respondent and a single mom, said that she liked "knowing that I'm trying to work on his future. That makes me feel good." Maxine (C), a control respondent who saved her monthly child support in a trust fund for her children, said that her savings reduced stress for her because it meant she had money set aside for them:

It won't be as stressful for me . . . I don't want to get into financial debt when they get older, like some parents do . . . They may not ever go to college. You know, they could be a burden on you; you know what I'm saying? So I don't want to have to go into financial debt at that age in my 40's, 50's, you know what I'm saying? I just want it to be there for them so I don't have to worry about that . . . It's just there for them. I mean I'm getting the money for them now, why not utilize it like that? Why should I go in and buy them the nicest of clothes that they gonna grow out of? You know, then to put that money so when they are grown that they can have something that's meaningful for them.

Saving money on a consistent basis can be difficult, especially for poorer families. Parents of families in the lowest income brackets constantly evaluate when they can set a little money aside and when they must use the income to pay for necessities. Denise (P) was trying to save regularly in her IDA account for a house, but the children's consumption needs came first:

I've got to put this \$10 in my account, but I really do need this \$10. But then I look and I think that I really do desire a house 'cause that's what I'm saving to buy, is a home . . . so saving takes discipline . . . I got to make sure those four kids' needs are met and they have clothes and have shoes and have food, you know. It's hard.

Although there may have been less money to spend when more income is going into savings, some participants said that the family spent more time together as a result. For example, Jasmine (P), an IDA participant with two small children, observed:

We spend a lot of family time, I think more now that we, you know, I'm trying to be, trying to stay on a budget and not spend as much money. We do a lot of things together that doesn't always cost a lot of money. And I think that's a good thing. You know, we spend more time, and, and, just not, just not me and my kids, me, and my family, you know, we would do things that doesn't cost a lot of money. Like go feed the ducks crackers or something.

In another case, Mark (P) said that he and his wife argued less about money since he started saving in an IDA. They shared a focus on the future:

You know, that's just something we don't argue about very often anymore. Our goals are a lot more similar. We can talk about, you know, where we want to be in three months, or six months, or a year. And we're basically going in the same direction. Whereas before, it was real obvious we weren't going the same direction.

Some respondents talked about the importance of modeling savings behavior for their children, and there is some evidence that parental saving led to children's saving. For example, Elizabeth (C) said that her saving seemed to be encouraging her 16-year-old son to save:

He's even saying now that he's seen me saving. He's gonna be starting work soon. And he said, "Mom, my goal is to save up so I can help you, you know, pay for my schooling." So he's—that's already clicking in his mind.

Some participants used their IDAs as a way to teach their children about how to save. Mark wanted to teach his children about good money management so they would not make some of the same mistakes that he made.

If I don't teach my kids how to handle money differently than I did . . . they're going to end up just like me in 20 years. And that's kind of a scary thought because I don't want my kids to be living paycheck-to-paycheck. I don't care if I'm ever rich, or if they're ever rich, and if they play the stock market, or whatever. That's not important to me. Having a lot of money is not important to me. But I want them to be secure and in control of their finances and what they're doing.

He and his wife had bought the children piggy banks, but he realized they had to do more to really make a difference:

As far as how I've applied it, we did buy our kids piggy banks, but we haven't really stuck with that too well. So I'm going to have to, I think when school starts, my son will be in kindergarten and things will be a little more organized. I think we're going to look at—I want to help him start learning to save money and then once a week get to go spend some of it, you know, and start establishing some of that.

Financial education classes provided ways for parents to teach their children about financial management. For example, Pat (P) repeated a financial values exercise with her children, and Sylvia (P) showed her children her monthly budget on paper and helped her teenage daughter set

her own savings goals. In some cases, children provided support and encouragement for their parents' saving. Jill (P), who lives with her daughter and parents in a small trailer home, had almost given up on her IDA until she was reminded by her daughter:

Well, see, months ago I didn't think, I was just ready to blow [the IDA] off, no big deal. And then my daughter come up to me one day and like I said, my father can be a very challenging man. (Laugh) He's just set in his ways and that kind of thing. But my daughter come to me and she's like, "Mom, I really want to move out of here. Grandpa's getting on my nerves." And I had completely forgot about getting a house and moving out. I mean, I had grown comfortable, sadly to say. And it kind of got me to thinking about it and I realized I had missed so many deposits and I was probably disqualified. So, it's important. It's important.

Discussion

Interviews with IDA participants and control respondents suggest that savings have a range of psychological, cognitive, and economic effects. In simple terms, people had more money because they saved it instead of spending it. More of the participants reported having money in a savings instrument than did control respondents. Some savings had been converted into other asset holdings, including a house, retirement account, home improvement, business, or education. However, because the in-depth interviews took place early in the program, most IDA participants had not withdrawn savings for conversion to another type of asset and relatively few controls had been successful saving for these kinds of investments. Data from later waves of surveys indicate that withdrawals for home repair exceeded those of other savings goals.

There was more evidence about the psychological and cognitive effects of saving, expressed by both IDA participants and control respondents. First, savings conferred a sense of security. In most cases, respondents said that savings would be there in case of emergencies or unforeseen expenses, which would prevent them from having to scrounge or borrow the money or delay payment on something else. Some said they felt less stress as a result. Interestingly, the stress is not just a matter of having the money to pay for an immediate expense, but is associated with not having the money put aside for the family's future. One woman articulated this by saying that she felt less stress because she was able to work on her son's future. This suggests that poor families have a future orientation but are unable to act on it because of a lack of asset accumulation.

Even a small amount of savings provided a greater sense of security. Both IDA participants and control respondents said that having some savings lent a feeling of security because they had a "backup" in case of emergency. However, the data also suggest that other positive effects are more common among IDA participants. IDA participants have an easier time saving because the program facilitated and inspired saving through match incentives, structures for saving, education, and staff support and expectations (chapter 4). IDA participants were more likely to report that they would invest in other assets in the future. IDA participants also said they had greater self-confidence and more sense of accomplishment and were more able to set goals for the future. A few IDA participants felt a greater sense of responsibility and heightened civic attitudes.

As a result of their success in saving, most of the IDA participants said they planned to continue saving after the IDA program ended because saving had become part of their routine. It was a “habit.” Others were not quite sure and raised the very likely possibility that without the match as an incentive, it would be more difficult to make the commitment and to follow through on saving. Some said their asset investments had associated costs (e.g., home repair or higher monthly mortgage) that might prevent them from being able to save in the future.

Children were both a concern and a target for parents’ saving. The interviews suggest that respondents carefully weighed their ability to save against the current consumption needs of their children. Especially in very poor families, parents worried over whether to spend or save, knowing that their children have consumption needs, but that savings offer important benefits, especially for the future. The evidence suggested that families take care of their children’s basic needs first, and then save. We observe that more than a third of parents with children in the home linked their savings to their children’s current or future welfare. They did not necessarily intend to invest directly in their children, but they said that their savings and present and future assets would provide increased opportunities for their children.

It is not surprising that IDA participants were more likely to have a long-term saving perspective. They were participating in a program that structured their savings for long-term uses. As a result, they talked a great deal about the investments they planned to make with their IDA savings. While many had not been in the IDA program long enough to make a withdrawal and invest in a particular asset, 22 participants talked about plans to invest their savings.

Accumulated savings seemed to provide a way for people to think in more hopeful ways about their futures. But respondents who accumulated savings without the assistance of the IDA program expressed similar feelings, suggesting an independent effect of owning savings. As Pat, an IDA participant, pointed out that only when she was offered a 401(k) and an opportunity to purchase savings bonds at work did she begin to think seriously about saving for the future. “I mean I didn’t realize until I started working at Boeing that it was real important to save for the future.” Kimberly, a control respondent, talked about how her savings and return to school gave her a different perspective on her family’s future: “This had got me in the thinking mode of saving, and getting ahead, and doing more than getting by.” When the interviewer prompted her for specifics, she described how saving, along with education, changed her thinking:

One thing that changed was thinking about our future more. Thinking that I could have control of something, you know, thinking, “Wow, I can really plan some things.” I’ve always, we always kind of lived, whatever happened, happened. You know, never thought, “Wow, I could save for this or plan for this or I better plan for this ‘cause something might happen.” We just never thought like that. And so we started thinking, “Wow, you know, this would help us in our future to have some.” And just on a basic level of, you know, if one of us was ever out of work for a month and you didn’t get workman’s comp, you know, how would we pay for these? And so to me, it’s just basic, everybody should have \$1,000 somewhere just in case that happened. You know, and so it was just kind of thinking for future. A thinking for not having to rely on my family or WIC, or others. You know, a feeling like I can do this. And more than that, I can maybe help somebody else.

However, respondents made it clear that low-income people had few opportunities to save in a structured program like an IDA. It was the first program that they had heard of that helped people with low incomes to save (chapter 4). Moreover, even with the help of an IDA program and a savings match, many people still found it difficult to save. This underscores the challenges of saving in households with low resources.

Nonetheless, evidence from the interviews suggests that participants respond positively to a program that places expectations upon them. They differentiated the IDA program from other welfare programs because it was not simply a handout. This suggests that if public policy expresses trust in people and helps them in ways that reflect their own values, they respond in kind.

Just as William Julius Wilson found in his study of inner city Chicago (1997), respondents in this study were emotionally invested in the American Dream. Reflecting their American roots and religious backgrounds, they believed they should save. When they saved successfully, they felt a sense of accomplishment knowing they were doing the right thing. Moreover, several reflected on an increased ability and intention to help others as a result of saving. Their ability to save and their savings led to increased self-confidence and heightened self-esteem. For those who were unable to save, particularly those in the IDA program, a sense of disappointment in themselves laced their words. Interviews also suggested that savings offered a clearer glimpse of and greater hope for the future. Just as their investments in particular assets make their dreams more achievable, they also think more about their future. As Elizabeth, a control respondent, pointed out, it is "a very grim world" when there is no money left over to save. As she suggested, no savings "spells no hope," and "you cannot move to the next phase of things."

8. Assessment of the IDA Program

IDA participants expressed positive opinions about the IDA program. As we have seen in prior chapters, most participants spoke about their newfound potential and ability to save, their desire to take advantage of the opportunity to participate in an IDA program, the usefulness of the financial education classes, and the support of IDA program staff. However, they had suggestions for improvements. Data for this chapter come from specific questions about staff support and financial education. In an effort to inform how IDA programs might be scaled up, we asked participants to talk about their recommendations to improve the program. The following examines participants' suggestions for program changes and how they said the IDA program compares with more "traditional" welfare programs.

Recruitment, Eligibility and Enrollment in the IDA Program

Participants reported that they had more trust in the legitimacy of the IDA program when they heard about it from more than one source. For example, Jill (P) heard about the IDA program through the tax assistance program at CAPTC, but it was not until she received a flyer in the mail *and* one of her teachers mentioned the IDA program that she decided to submit her application. Similarly, Tasha (P) heard about the program on the radio several times before signing up. The interviewer asked her what she thought about the program after she heard about it on the radio. "It took me a long time. You know, I would keep hearing it, keep hearing it, keep hearing it, and I finally said 'I'm gonna try and see if I can get in it.'"

Participants also said that it made a difference if a respected and well-known institution or organization—such as the Bank of Oklahoma, the City of Tulsa, or the federal government—was involved. The participation of one of these well-known institutions increased the program's legitimacy in the eyes of potential participants. As Jackie (P) explained, she wanted to make sure that her money was safe:

What was it that convinced me? The thing that convinced me was by word-of-mouth and they said that the government was backing it When I went to the meeting they told me that this was funded by the federal government as well as the Bank of Oklahoma. With the federal government, and the Bank of Oklahoma is a reputable bank, you know I was like, you know, even if I would save \$100 and they don't come through [with the match], I still have my \$100 saved.

She suggested that if the program had more money, the program should employ field workers to recruit more people:

I think I would try to get a budget where I can recruit more field workers because a lot of people's mentalities is of such that they wouldn't follow through. But if somebody came and knocked on your door, you know, and they say they want talk to you about how he can own your own home with the federal government backing it. And you could say you would just take five or ten minutes of their time, but you could stay there for the whole day because people would be interested. But as to pick up the telephone, or go down

there, or fill out the application, those small things keep people from even trying it. So field reps are very important.

Regarding eligibility, several people suggested opening IDA programs for children and for those with higher incomes. Yvonne (P) thought that the income guidelines were too low for those who wanted to start their own business:

I think the income guidelines are too low, because in reality the only way that I made the program is that I squeezed in because I was ill. But in reality, the person that you want to target would never be totally in that income guideline unless something major has happened. Someone that's ready to start a business, they would have already been working that business some, whether or not they have the business itself. . . .And so the income guidelines to help someone start a business are too low because most of the people that I referred that really stayed in that low income weren't motivated enough to, and they had too many personal problems to have the goal of starting a business. They were dealing with too many immediate things. So I think that the income guideline should be a tad higher to get those people who are working and who you know, have had some kind of problem or who are working and who are able to work on starting a business.

Program Design and Structure

Participants found the savings match in the IDA is relatively straightforward and simple (if not always initially believable), especially compared to other forms of financial investing. Although a few people seemed confused about the savings match rules, participants seemed to understand. In comparing the IDA to a 401(k), Natalie (P) seemed to think that the IDA was more tangible: “You gonna use it [the IDA], you know. You are gonna see your money in action You are gonna see that free money, you know.” Although a 401(k) shares some of the same features as an IDA, the significance and impact of an IDA is more visible and immediate.

Match Rates

When asked how the IDA program could be streamlined and made more efficient, participants had many suggestions. Ten people suggested reducing the match rate as a way to cut costs. Several believed that using a one-to-one rate instead of the two-to-one match rate for homeownership would not reduce participation. Others, including David (P), said that even a 50 percent or 25 percent match would still be a good motivation to save: “If they matched it 25 percent I'd be happy. I mean, you know, anything . . . one-for-one is just incredible.”

Nonetheless, nine others specifically said they the match rate should not be reduced because it is the most important part of the program because it increased interest in the program and helped people accumulate more. Mark (P) said the program would not have the same appeal if the match was only 50 percent:

I think it will be much less appealing. I mean that sounds really greedy to say. But say they would match, if I save \$100 they would add another \$50. I don't know. I just think a lot of people—that's just not going to hold the same appeal.

Three suggested increasing the match for more incentive to save. John (P) explained that the match was his motivation and incentive to keep saving:

[The IDA is] very important to me. I just wish, like I said, I wish I had, had it long, years ago. I think it is good. And it's very important to me and like I say, I plan to keep, continue with it. I'm thankful, I'm thankful for it That dollar-for-dollar man. Keep repeating that, man, I just can't forget that, you know. If I, had not been for that, you know, I probably wouldn't have been encouraged to save. Probably never would have joined the program had they not said, hey, you put a dollar in here, we gonna give you another dollar to go with that dollar, you know, to help you do some things. And to me, that meant a whole lot.

Depositing Rules

The rules and requirements for monthly savings, and the ongoing efforts of staff to remind participants to make these monthly deposits helped participants make deposits (chapter 4). However, some participants talked about missing deposits. Some said they forgot. Sonya (P) said, “There has been a couple of months where I’d miss it because I just didn’t realize I hadn’t done it for that month.”

In other cases, participants skipped a deposit when money was tight. Ian (P) said he missed four deposits: “I would say a couple of times I just forgot, and a couple of times just things were very stretched out. So, I didn’t make a deposit.”

Procrastination also played a role. Natalie (P) said she had a lot going on her life, but also admitted that it was easy to procrastinate: “To go and make it is hard. I forget. I have so many things going on in my mind that I can, like I say, I can think about it that morning and forget about it come lunch time and say, ‘I forgot to go to that bank,’ you know . . . It’s procrastination. I’m a procrastinator.

Jill (P), who suffered from depression, found it difficult to remember to make her IDA deposits. “I find it really hard. It’s another number to remember. With my depression, my memory’s already maxed-out. And so that was one of the things that I talked to [a staff member] about There was a lot of times that I didn’t deposit money because I didn’t either have the bank account number with me or the bank would be closed.” Staff were helping her to get deposit slips so she could deposit after bank hours.

Jill also had reported that the deposit rules helped her make regular deposits, thought there should be greater flexibility. For example, she proposed making it a requirement to make a total of 12 deposits per year, but not necessarily one per month:

Like the month of my daughter's birthday party. The whole world fell apart after that, financial-wise, I mean. She didn't get anything huge . . . she just had some friends stay the night and, you know, we bought goodies and that kind of thing. It was just enough extra money out to get behind. So, I think they should require so many deposits a year instead of in a month.

Making Deposits

The majority of IDA participants (53) hand carried their IDA deposits to the bank each month, requiring them to remember and sometimes to make a special trip to make the deposit. Fourteen participants described this process as relatively easy because they had other accounts at the Bank of Oklahoma or because the bank was conveniently located throughout Tulsa. Some participants deposited their IDA savings when they were doing other bank business. For example, Rose (P) passed the bank frequently and deposited her savings at the same time as she made a payment on her home improvement loan. "Well, it is convenient for me because I pass by there a lot." Others, like Fred (P), deposited in their IDAs when they cashed their paychecks:

See, 'cause when I cash my check, I just draw out a savings deposit. I tell them to take it out of my check right then and there when I'm at the bank. See, I deposit my check in my checking. I write out two forms, one for checking, one for savings. Put all that in my checking, put that \$62.50 over there.

Nine participants, however, expressed frustration with the deposit process. Some had transportation problems that made it difficult to make it to the bank on a monthly basis. Some were upset that they had to open the account at the Bank of Oklahoma because they already banked somewhere else. As Yolanda (P) observed:

Because I have an account at two other banks and then this is the third bank. So that's what makes it kind of hard. If I could have the account and the same requirements at one of my banks that I'm already established at—it would make it easier for me to put that money in there and not forget and you know, take care of it when I take care of my other banking.

Some found the bank location inconvenient. Reggie (P) said "It would be nice if it [the bank] were closer." David (P) also pointed out, "The most difficult part probably is getting to the bank. I work a real busy day . . . and I can't deal with the . . . part of getting to the bank." As a result, he said, his wife had started mailing it in. For Sam (P), the bank was a 40-minute drive. As a result, he said,

I usually am forgetting about it. I don't know why. At the first of the month I'm like, "Okay. I've got to go put this money in." At the end of the month I'm like, "Oh, man, I've got to go put this money in." So it is probably around the last week of the month, the last week or two weeks, I put money in.

Janice (P) skipped deposits because she found it difficult to get to the bank. "And so, there has been times that I had the money that I could have put in there, but it was too inconvenient to get

over there, and I really need to find a better location, a bank that is closer to either home or work.” Instead of saving, she said, “I probably spend it somewhere else and I could have put it in the savings.”

Others pointed out that because they had to hand-carry their deposit, they did not make their deposit at the same time each month. Shanta (P) said: “Well, last month I actually went almost the 28th . . . I always remember that I have to do it, you know, but I, I do. Sometimes I do it like the middle of the month or the second week of the month . . . This month I haven’t done it yet but I will.” This irregular approach to saving leaves open the possibility that they might forget to make their deposit.

As suggested by these comments, bank location and method of deposit make a difference. Becky (P) mentioned that the Bank of Oklahoma was convenient for her and because of that she thought she might maintain the account beyond the end of the program. “And probably if they’ll let us keep that same account and just keep putting money in there without that being matched, I would probably keep that same savings account because it’s real convenient and it’s right there and so close.” The Bank of Oklahoma also had multiple locations, including grocery stores, making it a little easier for some participants.

Direct Deposit

Direct deposits would eliminate the inconvenience of visiting the bank, and the few participants with direct deposit services emphasized that it facilitated their ability to save. Pat (P) said that “Before I started the direct-deposit it was real hard for me [to save]. It’s just like everything else, you don’t put it up there with your other bills, you put it over to the side, and it slips your mind. Or you find another reason to spend the money on, another purpose, you know? . . . So you don’t end up putting it in savings.” With direct depositing, Tasha (P) said, “as long as I’m working I’ll be saving.”

However, most people in the program did not have access to this service, although several said they wished they did. Sonya (P) said “I am trying to get it to where I can have an automatic withdrawal from my one account into the [IDA] account. And that would make it a lot easier. It would be one thing I wouldn’t have to worry about.” Natalie (P) said, “Actually what I need to do is have it automatically taken it out of my checking account. I really do. Then I won’t even have to be running back.”

Shondra (P) believed she would be able to save more with direct depositing because it would go directly into the bank before she had a chance to spend it. “But,” she said, “my job does not do automatic deposits, you know . . . It probably would have worked out a lot better for me if I could have had automatic deposits . . . Because I think I could find myself saving a lot better if they would, you know.”

In addition to those who found it inconvenient to go to the bank, another participant who made a matched withdrawal for home repair had significant trouble accessing the matching funds (i.e., the store would not accept a third party check). Saving would be facilitated if the IDA program made access to depositing and matched withdrawals as convenient as possible. The logistical

issues should not be barriers to successful participation in the program. Although the IDA program did not provide direct deposits, the six participants who had access to direct deposit services said this facilitated their saving process.

Monthly Bank Statement

Some participants had difficulty understanding the monthly bank statement. For example, Reggie (P) suggested that the program should invite a bank representative to speak to account holders.

Sometimes I don't understand it [the bank statement] and it would be good if somebody would call to see and maybe schedule a time when we can come in and discuss the monthly statement. That would be a good thing for them to do in the future. You know, instead of just giving out the statement, you know, sometimes I don't understand it completely. So it would be better, you know, if somebody would even sit down with you and discuss how, why this statement is saying what it is saying and how you can improve.

Types of Investments

Three participants suggested that the program might streamline by allowing fewer types of asset investments. For instance, one person thought that his goal of home repair was not as important as the other asset goals. Two believed that education savings could be eliminated because there are so many other resources for financial aid and scholarships.

But there was not agreement on reducing the types of asset investments. Sonya (P) thought that the existing asset restrictions might be preventing some from participating in the IDA savings program. Thinking about recommending the program to others in her family, she thought that the withdrawal rules might be difficult:

And then too, depending on what they need, you know, some of the needs that the person might need are not needs that they [the IDA program] will allow you to use that money for. You know, cause it only allows you to use it for certain things, so . . . Some people are going to need things that they are not going to be allowed to get with this money. So those people . . . might be kind of out of the running for it, so to speak.

Financial Education

While most participants found the financial education helpful (chapter 4), 24 people said the classes could be improved. Some thought the classes could be shortened or condensed to reduce program costs. As Michelle (P) said, "It seemed like they repeat stuff over and over again."

Grace (P): I don't think that they need three classes to explain the rules. You know, they could probably cut back a couple of those classes on explaining the rules.

Ian (P): Well, I think they could probably condense their sessions into maybe, instead of six sessions, maybe four or five and then have special sessions for people that want to go to them . . . six sessions was a bit much.

Four participants thought there should be more classes, but perhaps they should be voluntary. As Theresa (P) pointed out,

I know there is like five or six that you have to go to. I think there should be more that you can go to if you like. You know? Kind of like a sign-up thing where if enough people sign-up, we'll do one. But not mandatory. Not just on money management but on—well, yeah, even on money management—because like I said, most people don't understand. Credit reporting—most people don't realize that a slow pay is like a no pay, until you've done it and then you've messed up. They don't realize it. Stuff like that.

Yvonne (P) suggested different classes for people with different levels of financial knowledge and interests. "I didn't need all those basic classes that they had, like, food and stuff . . . So some of the classes I thought were real basic levels, but they had people in that course that needed that." Several participants said that the asset-specific seminars could have been more in-depth. For instance, Grace (P) thought more information on retirement would have been helpful:

I do think, though, that the important classes, like retirement, could probably be a little longer or maybe have, like, more classes on that, you know. Because you can't really learn a whole bunch in just a couple of hours about that. To me, I would like to learn a lot more or I think they should have more classes on things like that, that affect your future so much, you know.

Geraldine (P) would have liked more hands-on information on financing and homeownership:

The only thing is like, with the housing, I would have, I would have benefited from someone being able to help me follow up and help me, guide me through on where I need to go to get what I needed done. Like once the credit report and everything is pulled up and everything, someone to say, "Hey, this is what you really need to focus on doing first, then do this, then do this." And then you can help me with that goal or seeing where I could go with it.

Reggie (P) and his wife, Shema, thought that the instructors should have demanded more accountability from participants, particularly regarding the out-of-class assignments.

I liked the classes . . . but I think they should do more stuff to ensure that [what] is being taught is really being applied. Because [I didn't do] some of the assignments that they gave us in money management . . . You know? And it wasn't because I didn't want to do them. I didn't feel like it was mandatory that I do them.

He suggested going over the assignments in more detail, eliciting examples from participants, checking to make sure that participants completed the budgeting and tracking spending exercises, possibly grading exercises, and doing group exercises and reporting back to the class.

Jill (P) suggested that classes were a good source of motivation and should be spread out over more time to keep people motivated. "I mean, the training is very important. I just think it needs to be spread out a little more so that folks can stay more motivated."

Three people specifically mentioned the importance of the class discussions and learning from the other participants, and four participants appreciated the convenient and flexible class schedules. Five others, however, had trouble attending the classes because the schedule or location was not convenient for them.

Some participants said they knew much of the material already. Altogether, five people indicated they did not learn anything in the money management classes. Linda (P), for example, said she already knew much of the material and probably did not need to attend. "I mean, I've proved to myself that, that I could teach these classes. Anything that you are telling me, I've already lived it. It's, it's not even learning, it's like, I've already done all that, you know." Jessie (see vignette) attended because she had to, but thought classes were a waste of time.

Jessie -- Prefers to learn on her own

Jessie (P) was one of the few participants who did not find any value in the financial education courses.

The classes themselves provide no motivation, just annoyance. In all honesty, I didn't find them that helpful. Everything that was in there was pretty much common sense. And I don't think there [was] any new information. There hasn't been anything that I didn't already know . . . I never heard anything that I [didn't] already know. And as far as the classes themselves, I pretty much hate them. But I go because it's required.

She felt there wasn't any new information, and she hated spending the time away from home. For Jessie, the class participation projects were invasive and annoying:

"I don't like to do things with a group of strangers. . .we'll never see each other again and we don't want to. . .And so I find it highly annoying when this stranger who is the instructor tries to get strangers to form groups to do annoying little projects." Although she was critical of the classes, she did not have many recommendations for change because she recognized that it was just her personality that made her dislike the group projects. She did suggest giving class members the option of doing the projects on their own if they were not comfortable working in groups.

Staff Support

Like the financial education portion of the program, most participants had positive things to say about the staff support. They appreciated the encouragement and monthly reminders they received from the IDA staff, motivating them to continue saving in the program. Three participants suggested that more staff contact would have been helpful for them.

Only one participant suggested cutting down on the number of staff to save money for the program, and only one complained about staff attitude. For most participants, staff support and encouragement was an important aspect of the IDA program, and the participants appreciated staff members' friendly and nonjudgmental attitudes.

IDAs and Welfare Programs

Of the 84 respondents, 33 reported using some form of public assistance to make ends meet (Abt 2004). Of these, 22 were IDA participants. During the interview, participants were asked to compare the IDA program to more traditional welfare programs. Their responses were definitive; most people replied that there was no comparison. In contrast to traditional welfare programs, IDAs provide participants with a unique opportunity to change their lives and become more independent. Welfare payments may help a person provide for their immediate needs, but an IDA account allows that person to plan and set goals for their future. Numerous respondents praised the IDA program as an empowering program that “gives you confidence . . . to reach that goal” and “gives you some self-pride.” Most participants saw welfare as a “handout”, whereas IDAs were viewed as a program that helped people help themselves. This opinion is illustrated in this interchange between Tyrone (P) and the interviewer:

Tyrone: To other state programs like as far as welfare—the comparison mainly to me will be, is more provocative. You know, [in the IDA program] you don't just do nothing to receive something. It's something that you have to do, you have to participate in it and it provokes you to be better. Not to just stay where you are, but you know, you want to improve.

Interviewer: What do you mean by being more “provocative”?

Tyrone: Well, I mean, there's incentive. You know, if you do this part, we'll equally do this part. I mean, that's provocative. You know, at least for some people it provokes you to save. You want to put it there because you know that if you put this there, they're gonna match at least what you put in there.

Similarly, Lisa (P) thought the IDA program was more constructive than traditional welfare programs:

It's miles ahead. Like I said, my concern is that the welfare doesn't have anything to help you take steps to do better. Really, I mean, once you start doing better they kick you down by cutting your funds. It's just, there's nothing to help these people, and I've been there, and I know the mentality that it creates. You know what I mean? It kills self-esteem and it makes you worry about getting by instead of trying to help others. And the best way for people to benefit is to start looking beyond ourselves to try to help others see that they came to be a benefit to society, and then in turn they'll have their money. So welfare programs, my God I would just love to see drastic changes and not cutting people off of them But the IDA program is very worthwhile It does put your focus on the ability to save. It puts your focus on the ability to control money. It's really good.

Another major difference between the IDA program and other assistance programs was the supportive and encouraging staff. Unfortunately, many participants had previous degrading experiences with welfare caseworkers. Sylvia (P) (see vignette) described a particularly humiliating experience with a caseworker that made her never want to ask for assistance again,

so she appreciated the IDA program because “[the staff members] never give you those little snotty looks that the other people did. There’s a major difference, in my opinion.” Stephanie (P) described a similar positive experience with the IDA staff: “I think it gives you a chance to say, ‘Well I’m learning,’ and nobody’s talking down to me, because they weren’t not one of them ever talked down to us, they were very good with us.”

Participants appreciated the IDA program because, unlike welfare programs, it provided them with an opportunity and an expectation to contribute. The structured program provided motivation to save and set financial goals. Many expressed a desire to take advantage of the opportunity and live up to the expectations of the program. David (P) exemplified these feelings:

Interviewer: How does it differ from other programs out there?

David: Because it is not necessary to my day-to-day functioning, you know. It’s just, it just, it’s something that, you know what I mean, like if you are on, taking food stamps or something like that, you need that to live, to survive . . . Right, but this is just something that is giving me the opportunity to go beyond, to make the next improvement or step or whatever. So this is like, it’s, it’s not a necessity, so it doesn’t feel like it is a government handout or something like that, you know. But it’s just, it’s, it feels like this is, it’s a motivation to, to save.

Sylvia – Comparing the IDA experience to public assistance

Especially compared to her negative experiences with public assistance programs, Sylvia appreciated the encouraging attitudes of the IDA staff. When she was still married, Sylvia’s husband lost his job and she was having trouble providing for her children, but she felt totally humiliated by the staff member who handled her food stamp application. She applied for food stamps again when she went back to school, but she was unable to account for \$5 of her Pell grant money, which apparently made her ineligible for the Food Stamp Program. Although the situation was eventually resolved, Sylvia’s pride was hurt by the worker’s superior attitude: “It was almost like she was giving me the money out of her own pocket or something. She was just so judgmental.” Sylvia felt that she was being yelled at and spoken to like a child. In contrast, the IDA staff members have always treated her with respect and encouraged her in her savings progress. They were very understanding when she had to make an emergency unauthorized withdrawal and helped her get back on track with her saving.

Overall Satisfaction

Most participants expressed a high level of satisfaction with the IDA program. Although they had suggestions for improvement, these suggestions were usually offered after some prompting by the interviewer. The most frequent suggestion was to shorten or decrease the number of financial education classes. As the following quotes suggest, participants were pleased with the overall structure and design of the program.

Charles: I like being associated with it for more than one reason, it, it opens, it opens my intellect, it opens my eyes, it gives me an incentive to go on from where I am. It

strengthens me, it strengthens me really There is nothing that I really dislike about it. Everything I like about it is, is really up there I think the overall, and the overall opinion about and, and, and, about the program is that it give everyone a sense of, of being appreciated. It gives you a sense of knowing where you are. It give you a sense of being independent of your own self. To bring out the best in you that you had not known that was there My IDA account gives me an incentive to go on from where I am Because it gives me a chance, it gives me a chance to get where I would like to be, where I wanted to be. It gives me an opening, it gives me an open door to excel myself in life.

Denise: Well, I think this program is, when they put this program together they really did a good job as far as having the community people that you know, have a desire to buy a home but don't think they can really reach that goal. I mean, buy a home, it teaches them how to save and they encourage you and they give you confidence about reaching that goal. I mean, and to, I think it's even a blessing for them to even match the funds. I just think this program is just great. It's just great.

Steven (P) was impressed with the financial education:

Well, right now it's just a 3-year program. But at the end of three years if they offer me another three years, I'll be in it for another three years. I would take more classes if they had more classes, you know . . . I enjoyed taking the classes . . . They were fun to go to and you never know. You never know what you're gonna learn until you go to one.

Mark (P) articulated how the IDA program has helped him develop a savings habit and cultivate a future orientation:

It was conceivable that over, say, two years time that I might save \$1,000, you know. And suddenly I started thinking that "Man, I can, maybe I can do this." And it seemed it suddenly became worthwhile to save. And I guess that's the whole point of the program is to show you that it's worthwhile to save, even if they're not matching dollar-per-dollar what you do. And then it's also, as we may have mentioned before, it's also made me think in terms of, "Well, you know, here's \$20, and I can spend it on something that tomorrow, you know—well, we can go to "El-Cheapo" and it will be gone forever after tomorrow," or you know, "Gosh, if I put it in here it becomes \$40 and it can translate into wallpaper for the bathroom. It could become something that matters."

Discussion

Respondents discussed features of the IDA program that they consider important and effective as well as features they thought should be changed. Overwhelmingly, the IDA participants consider the IDA program to be an opportunity, especially when juxtaposed to traditional, public "welfare" programs. Even control respondents articulated this sense of opportunity:

Elizabeth: I just wish that a program such as this, which I think can be—can explode—If people had an institution of this kind to come in and implement different savings institutions. Show us the man to go to, the place to go to, the how to's. Give us the keys.

If I had the keys to some of these open doors—without fighting to try to find for myself—I would be now where I need to be five years from now We need more answers. We need more keys. We need more tools put in our hands Work’s not the problem. In society, to think everybody don’t want to work, that’s a lie. People want to make it. Especially young people coming up today. But we need more information.

When discussing program recruitment, participants revealed that it mattered how they learned about the IDA program. It was important that the program was associated with legitimate and established organizations. Furthermore, given participants’ reluctance there were likely many more people who decided against inquiring about and joining the program. This suggests that more public education about IDA programs and other matched savings and ways for people to get information that would establish legitimacy are important. Findings suggest that recruitment is a critical phase, when skepticism may be avoided and expectations made clear. These findings may provide some ways to think about large-scale marketing of matched savings (IDAs).

The savings match attracted people to the program, provided an incentive to save, and encouraged participants to save. Some respondents reflected on the level of the match. Thinking of the match as a type of interest, the rate of return is quite high, and not all respondents thought that a 100 or 200 percent return on their investment was necessary. Some participants, however, said that the relatively high match rate encouraged more saving and made high cost asset investments more feasible (e.g., home purchase). More research is needed to assess the impact of the match rate on recruitment and saving. Reduction of the match rate may reduce overall program costs, but may not be worth it if participants cannot reach their asset goals.

Participants reported that it is important to consider the number, format, and content of financial education classes and the type and amount of support. Not everyone needed the same financial education, nor did they all need the same support. Participants’ comments suggest that future IDA programs may be able to reduce transaction costs by building in program design aimed at different participants. This combined with early assessment of the required levels of support and training could reduce frustration for some and reduce costs. For many, a general orientation to explain the program could be followed with a selection of optional courses on different topics that would allow participants to choose courses and information may be most beneficial and most efficient. A “bare bones” matched savings program and financial education program could perhaps be made available through mainstream financial institutions (e.g., banks, savings and loans) or educational institutions (e.g., high schools and community colleges).

In contrast, as we have seen, others need intensive support and financial education to be successful savers. Targeting some participants for more support might also reduce their frustration, help them set reasonable targets, and help them save more successfully (see vignette about Jill). Community-based organizations could provide additional support and training for those who require more guidance. However, keeping this group small will be key to overall cost reductions.

Jill – Struggling to make ends meet makes it difficult to save

The IDA program does not provide a guaranteed path out of poverty. It requires commitment and hard work on the part of the participant, and not everyone is willing or able to succeed. Jill's story is a good example of how life circumstances can stand in the way of successful saving. Jill was a single mother who lived with her daughter and parents. Although she wanted to own her own home, she struggled to simply pay her bills on her small salary. Jill also suffered from depression, and her mental health served as a major barrier to consistent saving. She was very motivated after attending the classes, but this motivation dissolved as she lost constant contact with the staff. Any small thing, such as forgetting her account number, would keep her from making her monthly deposit. She needed lots of extra encouragement and support from the staff. In the end, even this support was not enough. The CAPTC exit report shows that Jill lost her job and unfortunately had to drop out of the program.

In general, participants' comments reinforce the idea that the program be kept simple. Straightforward information is important especially in regard to program rules and match rate. Multiple sources of information reinforcing the same message conveyed legitimacy, as did the prominent display of trusted institutions in marketing materials. Clear rules on depositing and withdrawing were generally well received by participants. Staff played an important role in clarifying rules and procedures. Although this contributes to program costs, it may be essential, especially in early phases of the program. Once program rules become more widely known, staff time should be able to be reduced. Reaching scale is an important issue in the IDA field, and finding ways to provide clear information in a low cost manner is important.

A program with fewer decision and action steps is likely to increase saving and reduce costs. For example, building in saving mechanisms such as direct depositing would make saving automatic and require much less effort for participants. With direct depositing, for example, participants only have to decide once to set up an automatic saving procedure. Participants would not have to remember to make monthly deposits, nor would they have to make a special trip to make their deposits. As new financial products for low- and moderate-income families are created, links to saving can be built in that facilitate saving and reduce costs.

9. Summary and Conclusions

In this concluding chapter, we highlight key findings from the in-depth interview study of the American Dream Demonstration at the Community Action Project of Tulsa County (CAPTC) experimental research site. Semi-structured qualitative interviews were conducted with 59 IDA participants and 25 controls at Community Action Project of Tulsa County (CAPTC), the experimental site for ADD.

All participants in ADD signed up voluntarily for the IDA program and later were assigned to either the treatment (IDA program) or control condition (Abt Associates, 2004). IDA respondents were selected randomly from a stratified sample of savers representing low, middle, and high savings. Control respondents were randomly selected from the entire group of controls and were reviewed to match the sample of participants in terms of gender and race.

Using a chronological approach, interview topics included economic well being, education, financial management and banking experiences, and saving attitudes and behaviors. For IDA participants, the second half of the interview delved into their experiences with the IDA program, including access, sources of savings, saving patterns, planned uses, program operation, and outcomes. For controls, similar questions were modified to explore any saving mechanisms they had used. We first discuss the whole sample, both IDA participants and controls.

Respondents in the In-Depth Interview Study

As a requirement of the IDA program, all respondents were employed and low-income (under 150 percent of poverty), at the time of their enrollment (although by the time of the in-depth interview six were unemployed and some indicated that their income was somewhat higher). Most respondents were White and African American and several were immigrants. Generally, our discussions with the respondents suggested that most came from families who also struggled financially. They and their parents earned low wages in frequently insecure jobs, which lacked benefits. They faced a variety of educational and other barriers that prevented them from finishing college or technical training programs that might have led to better jobs. However, a significant minority had more household resources, better paid and more secure jobs, and had obtained greater education.

Despite the fact that many people lived in or near official poverty and found it difficult to save, the value of saving was deeply rooted among the respondents. As Sam (P) said, “That is the American way: save money.” Saving was considered a sign of being a responsible person. Moreover, perhaps in part related to conducting the interviews in Tulsa, Oklahoma—home of several major evangelical religious institutions—saving also had spiritual overtones for many respondents in this study. As Michelle (P) said, her ability to accumulate savings made her feel more worthy and responsible: “. . . it’s maybe kind of validated myself as an individual because I have something to wave in the face of the devil when he tries to accuse me of being delinquent or irresponsible, you know?” For her, saving was part of the church’s teachings: “Proverbs says that, ‘A wise man saves up an inheritance for his children’s children.’” Spirituality emerged as a guiding factor in the way they managed their financial lives and the way they viewed saving and the IDA program.

Not only did respondents indicate that they valued saving, most also saved in addition to the IDA program. Only two control respondents and 12 IDA participants (prior to the IDA program) said they had never saved. But without assistance from an IDA program, only about one-fourth of respondents reported saving regularly. Most saved irregularly, and some did not save at all at the beginning of the program.

Many challenges confronted respondents in their efforts to set aside some money in savings. Household expenses were high relative to household income, making it difficult to save. Many IDA participants and control respondents said that the high costs of raising children, transportation, health care, and paying on debt made it difficult to save.

Making ends meet was difficult for many of the families. More than a third said there were times when they could not pay for even the basics. They had to be frugal, resist spending on frivolous items, plan and use a budget, use coupons, evaluate purchases for cost, sometimes use food banks and secondhand stores, and conserve energy. Sometimes they borrowed money or used a credit card when they did not have enough to pay a bill. Some negotiated lower monthly payments. Some brought in more income by working more hours, doing odd jobs, or moonlighting. Several said they had to reach into savings to pay for unexpected expenses or emergencies. Some used their tax refunds to pay off debts. For example, Tonya (C) said: “And then the money I get back from my tax refund I was planning either putting that towards my car or towards my loans. Probably my car since it’s the higher interest rate.”

Respondents described having to coordinate carefully the timing of money coming in and going out. They engaged in complex calculations about which bills to pay, taking into account the importance (e.g., electric bill versus layaway payment) and potential consequences of delaying payment.

Financial transactions required significant amounts of time and money. Most respondents were accustomed to actively managing day-to-day financial transactions, often in person. Few used time saving financial products and services, such as automatic deductions, on-line bill payment, direct deposit, or ATM cards. Some paid bills in person, sometimes with costly money orders. Some used alternative financial services, such as check cashing outlets, and paid high rates of interest to borrow money, cash checks, and withdraw cash. Understandably, some respondents said they had trouble managing their financial accounts.

Despite efforts to manage finances successfully, many families accumulated debt, including car loans, student loans, medical debt, and especially credit card debt. Credit card debt was the most common. In response, some families tried to restrict their use of credit cards to keep monthly debt under control. Others accumulated sufficient debt that they had declared bankruptcy, arranged for debt consolidation, or turned to their families for help. Factors that contributed to these serious debt situations included health-related problems, divorce, and job loss.

As a result, most families set aside some money for extra expenses and emergencies, but few were able to save significant sums on their own. Some kept a cushion in their checking account, some in a drawer at home, some had savings accounts, and some lent money to others that they could reclaim when they needed it. Occasionally this money accumulated so that they could

purchase a larger item, such as furniture, appliance, or a car. Occasionally, families put some away in savings for long-term investments, but most said this was very difficult to do.

A few managed to save regularly. How did they succeed? For control respondents and IDA participants (prior to joining the program), sources of savings came mostly from employment, although some relied on financial help from their families or saved using their tax refunds. Families used many psychological and behavioral strategies to save (Beverly et al., 2003). They established a savings goal, planned their expenses and saving (mental accounting), reduced purchases, monitored expenditures, deposited directly into their savings account, setting their surplus money aside, and adopted “rules of thumb” about how they could use their savings (Shefrin & Thaler 1988, 1992).

IDA Participants

Participants reported that they not only learned something new from the money management classes, but also honed many of the same strategies they had used before. They continued to rely on employment earnings for their savings, although a few more used tax refunds and child support payments to make deposits into their IDAs. They talked about goal setting and mental accounting, reducing consumption and increasing efficiency, and earning more income. Because of program “requirements”, IDA participants were likely to view their savings deposits as obligatory and adopt the perspective that their saving was for particular purposes.

Most IDA participants reported that they became more consistent and successful savers because of the program incentives and structure. They described a “bundle” of IDA program elements that encouraged them to save and to keep their money in the account. Five institutional constructs – access, incentives, information, facilitation, and expectations – may help describe these program elements (Sherraden, Schreiner & Beverly, 2003).

Access refers to the existence of a structured mechanism for saving for low-income families. In contrast, many structured savings programs, such as 401(k)s and other retirement savings plans are not available to low income families.

An *incentive* in the form of a savings match encouraged participants to deposit money into their IDA account regularly and to keep it there. Participants made it clear that the match was the most important. The savings match attracted them to the program, encouraged them to save, and helped them accumulate savings faster.

Information in the form of financial education helped participants save because it opened their eyes to the value of saving on a regular basis, helped them understand how financial instruments work, and taught them techniques for setting aside money.

Regarding *facilitation*, the IDA program supported saving in various ways, including staff who helped participants open an account, reminded them to make regular deposits, helped them to arrange direct deposit, and provided other personal and family support.

As we discovered earlier in case studies (Sherraden, Moore & Hong, 2000), *expectations* play an important role in successful saving. As Richard, an IDA participant, pointed out, a program with requirements “makes it easier” to save. Without rules, he said he would only save irregularly, “because there’s no penalty or nothing.” Expectations were conveyed in a number of ways, including setting a monthly and annual savings goal and warnings that they could be dropped from the program if they did not save. For example, all IDA participants were required to save for a particular purpose. Approved savings goals were long-term (e.g., homeownership, home repair, retirement). Without the structure imposed by the IDA program, control respondents were less likely to have savings goals, and when they did, they tended to be more vague and short-term (e.g., for emergencies).

Despite program rules and restrictions, and perhaps ironically, participants said the program offered “choice” and a way to pursue personal goals. For example, IDA participants made a clear distinction between the IDA program and government “welfare” programs. They saw the former as offering real opportunity, while viewing the latter as inadequate and an approach that makes recipients feel irresponsible and unworthy of assistance. As Lisa pointed out in chapter 7, “My concern is that the welfare doesn’t have anything to help you take steps to do better But the IDA program is very worthwhile It does put your focus on the ability to save, it puts your focus on the ability to control money.”

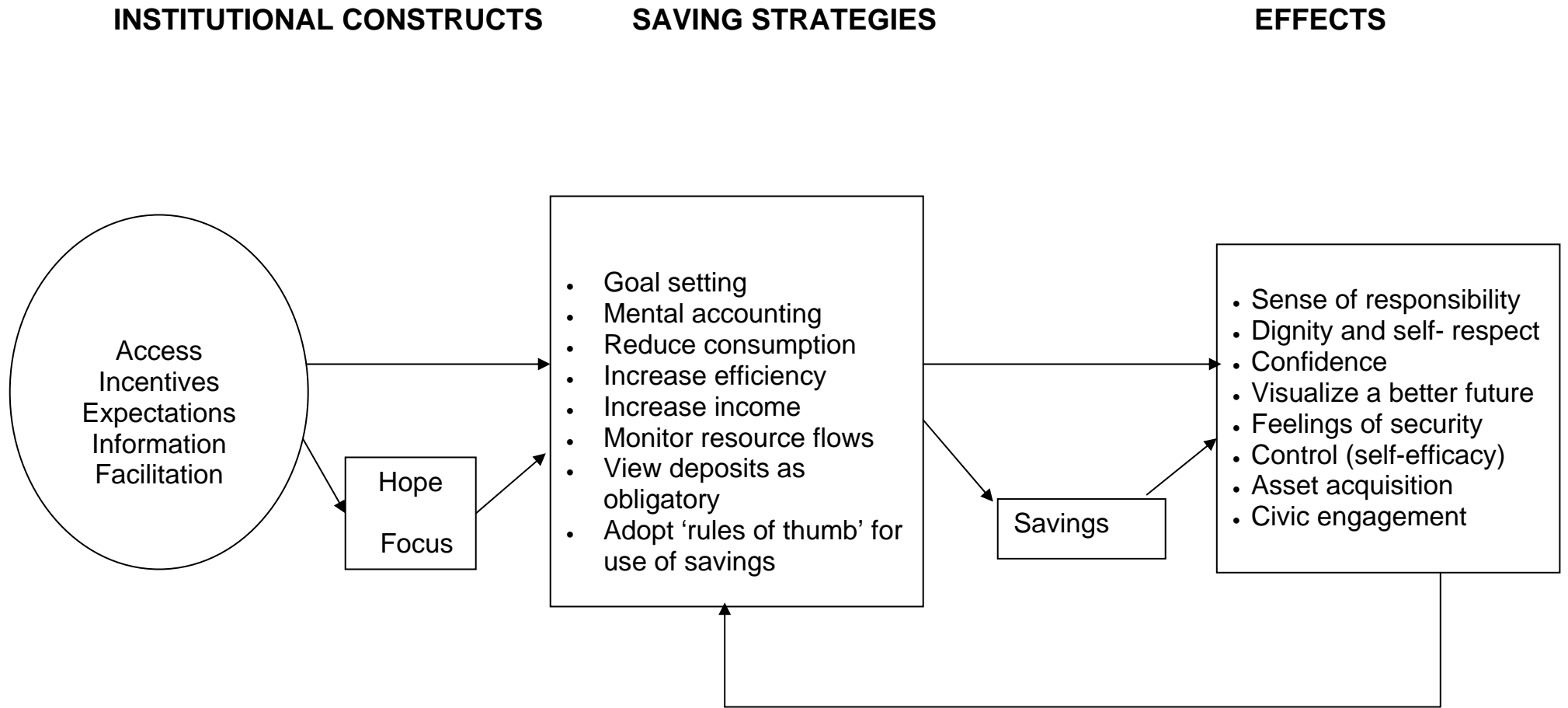
The IDA program “bundle” helped most participants to save more than they had in the past. As long-term saving became more “attainable,” participants’ perspectives about the future changed. Richard, for example, said that he was thinking differently as a result of saving in the IDA program:

I have already started to kind of program my mind, you know, differently. And I know the importance of it now. You know, I know that I have to do it now. Where at first, remember I told you it’s like you don’t have to do it? Nobody’s gonna punish you, nobody. But, you know, the way it’s in my mind now, I have to do it. I have to do it for me. You understand? Where I didn’t realize that at first, now I do because of the program.

Effects of Saving and Savings

Saving (behavior) and savings (money accumulated) have similar effects, according to participants, but for slightly different reasons (See Figure 9.1). Participants said that saving made them feel more responsible. They believed they were doing the right thing, thinking ahead, and planning for their family’s future. Feeling more responsible gave them self-respect and dignity.

Figure 9.1 Saving Strategies and Effects



The act of saving helped them develop an orientation to the future and lengthened their time horizon. Saving in an IDA encouraged participants to think about their goals and to save to achieve them. As Liz (P) told the interviewer: “I’m just beginning to build goals that I wouldn’t have thought about if I wasn’t in the IDA program.”

They discussed their accumulated savings in a way that suggested they were more able to visualize a positive future. Accumulated savings translated into greater optimism, providing a way for people to think in more hopeful ways about their futures. As Kimberly, a control respondent, talked with the interviewer about how her savings—and returning to school—gave her a different perspective on her family’s future:

One thing that changed was thinking about our future more. Thinking that I could have control of something, you know, thinking, “Wow, I can really plan some things.” . . . We’ve always kind of lived, whatever happened, happened You know? So it was just kind of a thinking for the future not having to rely on my family or WIC, or others, you know, a feeling like “I can do this.” And more than that, I can maybe help somebody else.

Having savings gave people a sense that they had greater “control” over their futures. For example, Elizabeth, a control respondent who also was a long-term saver, pointed out that long-term savings offered: “Security, number one. And power. Money is power.” Without savings, she said, there was little hope:

Because when you have only what you’re earning and there’s none left over, which I saw a lot in my life, to not even take \$10 out, you looking at a very grim world. Because it spells no hope. And when you have no hope, you cannot move to the next phase of things, even if you want it.

People who managed to accumulate savings without the assistance of the IDA program expressed similar feelings. For example, Pat (P) pointed out that she began to think seriously about saving for the future when she was offered a 401(k) and savings bonds at work. “I mean I didn’t realize until I started working at Boeing that it was real important to save for the future.”

However, IDA respondents made it clear that they had few opportunities to save in the past. The IDA program was the first they had known that helped people with low incomes to save. Controls said they generally lacked this kind of structure for saving. Other than the few who had exposure to 401(k)’s through work, control respondents knew of no other program like the IDA that would match their savings. No other program provided assistance and financial education. As Elizabeth, a control respondent explained, it is even difficult to get information on how to invest savings:

Nobody takes the time to say, “Let me give you a little information how to get on that track,” that running track to start doing that. Because a lot of people don’t know about investing. A lot of ethnic groups don’t know about investing. We’ve never been in that arena.

When respondents (IDA participants and control respondents) were able to save, they said they felt more confident. Although Michelle (P) said her goals were the same as before, the program made her more sure of herself:

. . . change isn't the right word. I would say, you know, I believe that a lot of things of who you are and what you want to do, and goals in life are all inside of you. And it's realization, coming to discover your purpose and realizing who you are and what your gifts and talents are, and what you're called to do that unfolds, kind of like how a flower starts out like a bud, and you don't see it -- a flower as a flower when you're looking at a bud. But then as it grows and matures, the petals unfold and then it becomes a beautiful rose . . . I wouldn't say necessarily that my life goals have changed, I would say that I've discovered more of them.

Comments made by a few IDA participants suggest that having savings may also lead to increased civic behavior. Having a bigger cushion allows people to help others and give to community institutions, such as churches. Some IDA participants even expressed interest in using their IDA to start programs for others in need. Others suggested that savings (especially for homeownership or home improvement) may inspire community pride and heightened commitment to their neighborhood.

Sherraden (1991) and Yadama and Sherraden (1996) discuss the possibility of a virtuous circle (Figure 9.1), in which asset ownership leads to greater saving performance. We find that IDA participants were determined to continue saving after the program terminated. However, because of the limitations of four-year intervention study, we do not know if participants will maintain focus on long-term saving when incentives and other program features disappear. Indeed, our findings suggest that this may be unlikely, despite good intentions. In the absence of a savings structure, pressing needs are likely to prevail over long-term saving.

In fact, consumption pressures weighed heavily on participants. Despite their positive experience with the IDA program, significant numbers of IDA participants had difficulty saving. Many withdrew savings (unmatched) from their IDA during the course of the program to cover regular expenses and pay for emergencies. Data from a later survey (2003) suggests that about one-third had difficulty saving enough to meet their asset goal.

While in some cases the difficulties in accumulating savings were the result of personal and family limitations, more often they resulted from structural limitations. Lack of adequate health insurance, low incomes, insecure employment, low-quality schools, and dangerous neighborhoods contributed to the difficulties that families had in accumulating significant IDA savings. These structural problems beg for policy solutions. For example, if families had adequate health insurance, they would not have to spend a large portion of their monthly income or reach into their small savings to cover prescription medicines.

Improvements could also be made to the IDA program that would enable families save more, according to participants. Many said the program should last longer than four years and should be available to anyone with a low income who wants to join. The savings match was the key

feature of the IDA program; however, some believed the match could be smaller (e.g., 50 cents on the dollar). Financial education was also highly regarded, although some thought classes could be condensed and perhaps delivered in different formats depending on a person's financial background, knowledge, and interests. Participants appreciated the support and helpful attitude of staff. Although most said they did not need extensive support, many appreciated the fact that staff was available to answer questions or concerns. Participants' opinions about making savings deposits varied, but many believed that some kind of automatic deposit would be helpful. Others, especially those with less experience with formal banking, liked making their savings deposit in person. Given these individual preferences, a variety of deposit mechanisms may be desirable.

From in-depth interviews we begin to understand how low-income families think about saving and the challenges they face when they try to save for long-term investments. Moreover, we gain insight into how a structured savings program can promote saving, even among families with little surplus income. Overall, IDA participants believed that the program offered a real opportunity to accumulate savings that could positively affect their well being. They pointed to increased dignity, self-respect, and responsibility. They viewed the IDA program as an investment in them as people, and an expression of trust and confidence. They expressed gratitude to the program and the staff for the opportunity to improve their lives and the lives of their children.

Implications

Qualitative methods are valuable in exploring topics that have not been widely studied to understand respondents' perceptions, motivations, and meanings. In-depth interviews in ADD highlight the importance of access to institutional saving instruments for low-income households and the role of saving and savings in their lives. Interviews suggest that asset accumulation offers opportunity and a greater ability to focus on the future. Further, this research identifies several questions that may help guide future IDA program design and future research.

What are the influences of family of origin, stage of life, and present financial circumstances?

Most respondents believed that the process of saving and having savings are very worthwhile. Many learned these attitudes from family and church. However, they did not emphasize the modeling effects of their parents or families of origin on their present saving choices and behaviors. This may be due to inability to recollect whether and how their parents saved, or due to their parents not having saved. Some IDA respondents who recalled their parents' financial management discussed how the IDA program reinforced strategies they had observed or been taught in childhood.

Regarding stage of life, a chronological view was taken during the interviews as respondents discussed their entire life course. Respondents noted particular financial decisions and financial pressures at the time of young adult independence, marriage, childbirth, and retirement. One financial strain was parenthood; this strain was often related to health care or to consumption pressures. These circumstances and decisions constrained available money available for savings.

All respondents, including IDA participants and control respondents, discussed the effects of financial limitations on their ability to save. Emergency situations and lack of health care created financial sinkholes that frequently threw families into serious debt. Many mentioned high levels of debt and misuse of credit that drained available income, which then could not be applied to savings.

What IDA program components are necessary to recruit and sustain participation?

Until matched savings accounts are universal and lifelong, a challenge will be recruitment among those of low-income and low-wealth. Respondents discussed their initial disbelief and distrust regarding the offer of an “IDA.” Word-of-mouth recruitment and credible endorsements were the most effective means of overcoming initial reluctance among participants.

Financial education classes reinforced strategies or knowledge that some already had about saving money. Classes helped participants focus on ways to save. While IDA participants found the classes informative, they also discussed the transaction costs of participation, including lack of time, transportation, or bank location. Several talked about the need for more diverse offerings and the limitations of a “one size fits all” curriculum. A few discussed a point of “diminishing returns,” after which the additional class hours provided little benefit.

Staff support was considered very important by some savers. Support included staff attitudes and general treatment as well as active case management or staff intervention to assist participants in times of crisis. Especially, we do know that deposit facilitation is important (Sherraden, 2003). Many participants appreciated deposit reminders. Direct deposit is a helpful saving tool that could replace such program components. Participants also appreciated having a resource to answer questions or concerns. Such “customer service” support is a standard feature of most customer-oriented products.

At the same time, diverse backgrounds and circumstances influenced participants’ opinions about program design. For instance, people with different financial backgrounds, experiences with financial institutions, and experiences in school, reacted to the IDA program in different ways. Some appreciated financial education and support. Others preferred a less intensive approach. If matched savings programs move to scale, these differences could provide efficiencies, while concentrating services for participants who desire and require additional support.

What role do expectations play in establishing a path for successful saving?

IDA participants said that saving requirements established the program structure and expectations for saving. They expressed appreciation for the rules regarding minimum monthly deposit, number of missed deposits, and withdrawal limits. Rules, conveyed through recruitment materials and the first financial education session, were translated as expectations, which were then reinforced by monthly reminders, staff calls, and support. The expectations were those conveyed through similar matched saving programs, such as 401(k) plans. Results of this study suggest that poor people may be about the same as others in responding to program expectations.

What impact do IDAs have on future orientation, and what is the role of future orientation in the saving process?

Since IDAs are a “program bundle,” it is logical that different components would affect the saving process in different ways. Respondents suggest that incentives, such as the asset goal and the match rate, gave them hope about the future. Not only could they dream, they believed the match rate made the dream attainable. For some, the information provided through financial education classes, combined with the expectations for saving performance, helped them focus on setting aside money for IDA deposits. Hope and focus together created the empowered state of future orientation.

Was this the path to saving for all participants? Some respondents did not discuss the process in these terms. These may be participants who had saved through institutional structures before, so they knew the process—what to expect and what would result. Or perhaps their saving behavior was facilitated by direct deposit, which made the “focus” institutional rather than psychological. They did not have to think about making a commitment to saving; it was done for them. Or they incorporated their saving into monthly bill paying and did not have to make a decision each month to save.

Which saving strategies are the most effective for saving?

Participants discussed a range of strategies for setting aside, depositing, and maintaining their savings. They adopted psychological and behavioral strategies, especially focusing on their savings goal, reducing consumption, and viewing saving as obligatory. Which strategies are most likely to generate savings and at the lowest cost? Some strategies may have high transaction costs (e.g., clipping and using coupons) or could potentially result in the sacrifice of basic needs. The lowest transaction costs are incurred when the saving structure is automatic (e.g., direct deposit). The fact that all of the participants signed up for the IDA program suggests that they may prefer a program that takes some of the decision making away from them (e.g., rules about depositing and withdrawing). Nonetheless, strategies that allocate household resources to savings remain largely in the hands of savers. More research is needed to explore which strategies are the most acceptable, efficient, and effective for low-income, low-wealth families.

What are the distinct outcomes of IDA programs? Is there a distinction between outcomes that result from the process of saving and those that result from having savings?

The respondents discussed a range of outcomes (see Figure 9.1). What led to these outcomes is not always clear. It is likely that some of the outcomes are related, with one serving as a precursor to another. It is also likely that there is synergy among the outcomes. Results of this study suggest that the process of saving may lead to a sense of responsibility and control over one’s life and increased dignity and self-respect for making and fulfilling the saving commitment. These feelings are related to the concept of self-efficacy. An individual feels confident in her sense of self and her abilities as a result of successful saving. Greater self-efficacy may be transferred to other contexts beyond saving, perhaps contributing to other goal-directed and positive behaviors.

Accumulated savings may also serve as reinforcement for self-efficacy. As respondents see their savings grow, self-efficacy may increase. Accumulated savings are also a tangible resource. Savings may offer security, lead to the acquisition of an asset, and serve as a resource for action. Having savings may reinforce future orientation because the savings are translated into ability to reach goals.

Conclusion

In sum, this study documents participants' enthusiasm for a structured saving vehicle and begins to parse out the asset-building process and effects of asset holding. Foremost, the poor are saving in IDAs and welcome this opportunity. Although struggling to make ends meet and pay the bills, the families in this study wished to save. According to participants, the IDA program provided a structured saving opportunity, along with incentives, education, and support that resulted in more successful saving.

The study makes several contributions to saving theory. The most important of these may be the ways that low-income think about saving and strategies they use to save, the effects of the program on their ability to save, and the way that they think about themselves and their future. During a period of virtual revolution in saving theory led by behavioral economists, this study brings to light the institutional structures that are likely to influence saving outcomes for this population.

In-depth interviews add richness to our understanding of the effects of saving and asset accumulation. Particularly notable insights are the psychological and cognitive effects of saving. Respondents believe in saving and when they are successful they believe they are doing better. They believe they are better able to reach their goals and provide opportunities for their children.

Altogether, these findings and conclusions are a productive contribution to research on saving by the poor and research on saving and asset accumulation in general. We hope this study illustrates the value of qualitative research to explore perspectives, motivations, and understanding of a matched savings program on daily living patterns, aspirations, and achievements in asset accumulation.

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Appendices

Appendix 1.1 Host Organizations in ADD			
Host Organization	Location	Type of Organization	Targeted Participants for IDAs
ADVOCAP	Fond du Lac, WI	Community action agency	Former AFDC/TANF recipients, the working poor
Alternatives Federal Credit Union	Ithaca, NY	Community development credit union	Single parents, youth
Bay Area IDA Collaborative (formerly EBALDC)	Oakland, CA	Collaboration of 13 community-based organizations	Low-income Asian Americans, African Americans, Hispanics
Capital Area Asset Building Corporation (CAAB)	Washington, D.C.	Collaboration of 8 community-based organizations	TANF recipients, youth, African Americans, Hispanics, Asian Americans
Foundation Communities (formerly Central Texas Mutual Housing)	Austin, TX	Not-for-profit housing organization	Rental property residents, youth
Central Vermont Community Action Council (CVCAC)	Barre, VT	Community action agency and community development corporation	TANF recipients, youth
Community Action Project of Tulsa County (CAPTC) ²⁰	Tulsa, OK	Community-based anti-poverty organization	Small-scale: Working families with children at or below 200% of poverty. Large-scale: At or below 150% of poverty.
Heart of America Family Services	Kansas City, MO	Community-based family-services agency	Hispanics, African Americans
Mercy Corps (formerly Human Solutions)	Portland, OR	Social-service organization	Rental property residents
MACED/Owsley County Action Team	Berea, KY	Association of community development organizations	Rental property residents, the working poor
Near Eastside IDA Program	Indianapolis, IN	Social-service organization / Community development credit union	Neighborhood residents, youth
Shorebank Corporation	Chicago, IL	Community development bank with not-for-profit affiliate	Rental property residents, Shorebank customers
Women's Self-Employment Project (WSEP)	Chicago, IL	Microenterprise development organization	Low-income, self-employed women, public-housing residents

²⁰ CAPTC has two IDA programs: the “small-scale program” initiated at the beginning of ADD, and the “large-scale” site that is the host of the experimental design.

**Appendix 1.2 In-Depth Interview Topics:
Family of Origin, Young Adulthood, and Current Household**

- A. Socioeconomic and demographic profile
 - Education
 - Employment
 - Income
 - Public assistance
 - Community context and involvement
 - Family decision making
 - Approach to socioeconomic and other challenges

- B. Asset ownership
 - Homeownership and other asset ownership
 - Investment decisions and opportunities
 - Financing asset accumulation

- C. Financial issues
 - Attitudes about money and money matters
 - Financial management and decision making
 - Respondent autonomy or support from family
 - Financial services (informal and formal)
 - Consumption and expenses
 - Surplus
 - Financial strain and challenges
 - Financial education training or counseling

- D. Saving in family of origin and respondent household
 - Saving, patterns, and sources
 - Saving goals
 - Saving strategies
 - How much and when savings occurred

- E. IDA experience (IDA participants only)
 - Information and access
 - Decision process and reasons for participation
 - IDA goals
 - IDA saving, patterns, sources (facilitation and obstacles to saving)
 - Social network obligations and reciprocity effects
 - Alternative uses of money
 - IDA economic education/financial management
 - Perception and assessment of IDA program
 - Perceived value of IDAs
 - Program improvements and recommendations

**Appendix 1.2 In-Depth Interview Topics:
Family of Origin, Young Adulthood, and Current Household Cont.**

- F. Saving, asset, and IDA effects
 - Economic
 - Personal (emotional, cognitive)
 - Family
 - Intergenerational
 - Social and civic

Appendix 2.1 IDA Participant Respondents								
IDA Participant Pseudonym	Gender ^a	Race ^a	Age ^{1b}	Marital Status ^a	Number of Children ^a	Total Matched Withdrawals (including match) ^c	Withdrawal Uses ^c	Exited Program ^c
Abel	Male	African American	40	Divorced	Four (ages 6-21) (pays child support)			Lost interest in program
Adrienne	Female	White	49	Divorced	Three (adult)			Lost interest in program
Becky	Female	White	28	Divorced	Two (ages 2, 8)	\$6,490.31	Home purchase	
Brad	Male	White	43	Married	Three (all under 12)	\$4,494.08	Microenterprise and home repair	
Carlos	Male	Latina	59	Married	7 grown children			Lost interest in program; Language barrier led to unmatched withdrawal
Charles	Male	African American	65+	Divorced	Six (adult)	\$484.42	Retirement	
Claire	Female	American Indian	40	Divorced	One (age 18)	\$3,959.78	Retirement and home repair	
David	Male	White	45	Married	Three (ages 13-17)	\$4,500.00	Home repair	
Denise	Female	African American	29	Separated	Four (ages 3-9)			Unable to save; lost job
Dorothy	Female	White	58	Widowed	All adult	\$3,463.78	Retirement	Completed program
Fred	Male	African American	36	Married	Five (ages 4-19)	\$6,750.00	Home purchase	Completed program
Geraldine	Female	African American	36	Divorced	Three (ages 3-16)			Lost interest in program
Gina	Female	White	49	Widowed	Two (ages 12, 13)			Lost interest in program
Grace	Female	White	23	Single	None	\$2,339.74	Education	Completed program
Heidi	Female	White	19	Single	None	\$4,500.00	Retirement	Completed program

Appendix 2.1 IDA Participant Respondents Cont.

Ian	Male	White	53	Married	Three (ages 12-17)	\$1,524.81	Education	Completed program
Jackie	Female	African American	43	Married	Four (ages 5-17)			Unable to save
Janice	Female	White	35	Long-term partner	Two (ages 9, 11)			Unable to save; had major surgery and lost job
Jasmine	Female	African American	27	Single	Two (ages 4, 6)			Unable to save
Jennifer	Female	White	32	Divorced	Five (ages 6-15)	\$1,695.44	Education	Completed program
Jessie	Female	White	47	Divorced	One (teen)	\$6,129.39	Home purchase	Completed program
Jill	Female	White	32	Single	One (age 13)			Unable to save; lost job
Jocelyn	Female	White	42	Divorced	Three (ages 10-18)	\$500.00	Home purchase	Completed program
Joe	Male	White	45	Married	Three (ages 9-12)			Unable to save; financial problems
John	Male	Mixed Race	60	Divorced	One (age 15)			Lost interest in program
Linda	Female	White	25	Single	One (age 8)			Unable to save
Lisa	Female	White	38	Divorced	Two (ages 7, 9)	\$3,766.53	Micro-enterprise, home repair, and education	Completed program
Liz	Female	White	30	Divorced	One (age 13)	\$2,775.83	Home repair	Completed program
Lois	Female	African American	45	Widowed	Two (adult)			Unable to save
Lucia	Female	Latina	45	Divorced	One (age 11)			Unable to save; lost job
Mark	Male	White	33	Married	Two (ages 3, 5)	\$431.66	Home repair	Completed program
Michelle	Female	White	37	Single	None			Lost interest in program
Nancy	Female	American Indian	53	Divorced	Two (adult)	\$1,860.00	Home repair	Completed program

Appendix 2.1 IDA Participant Respondents Cont.								
Natalie	Female	African American	41	Single	Two (ages 10, 12)			Lost interest in program
Pat	Female	White	46	Divorced	Two (ages 17-19)	\$2,656.72	Education	Completed program
Rachel	Female	White	61	Single	None	\$3,879.54	Home purchase	Completed program
Richard	Male	African American	46	Divorced	One (adult)	\$1,355.86	Retirement	Completed program
Rose	Female	African American	63	Widowed	None	\$1,900.00	Retirement	Completed program
Roseatta	Female	African American	45	Married	6 (2 teens, 4 out of home)	\$3,691.76	Home repair	Completed program
Roxanne	Female	White	40	Divorced	Two (ages 8, 22)	\$4,296.00	Home purchase	Completed program
Sam	Male	White	27	Married	Two (ages 1, 2)	\$4,500.00	Home repair	Completed program
Sandra	Female	Asian American	48	Separated	One (age 16)	\$5,760.40	Home purchase, home repair, and education	Completed program
Scott	Male	White	45	Married	None			Unable to save; wife became seriously ill
Shanta	Female	Multi-racial	43	Single	One (age 16)	\$5,036.78	Home purchase and repair	Completed program
Shema	Female	African American	36	Married	One (age 3)	\$2,928.49	Home repair and education	Completed program
Shirley	Female	Mixed Race	45	Widowed	One (age 18)	\$831.28	Retirement	Completed program
Shondra	Female	African American	40	Divorced	Two (ages 13, 18)			Unable to save; filed bankruptcy
Sonya	Female	White	29	Married	One (age 12)	\$3,745.94	Home repair	Completed program
Stephanie	Female	White	55	Divorced	All grown			Closed account when moved out of state
Steven	Male	White	41	Married	Three (ages 1-9)	\$3,741.86	Home repair and education	Completed program

Appendix 2.1 IDA Participant Respondents Cont.

Sylvia	Female	Asian American	35	Divorced	Three (ages 12-15)	\$5,207.76	Home purchase and repair	Completed program
Tasha	Female	African American	31	Divorced	Three (ages 3-10)	\$1,000	Retirement	Completed program
Terry	Female	White	49	Divorced	Three (grade-school)			Lost interest in program
Theresa	Female	African American	48	Divorced	Two (adult)			Lost interest in program
Thomas	Male	White	41	Married	Two (infant-age 5)	\$3,100.00	Retirement	Completed program
Tyrone	Male	African American	25	Married	One (age 4)	\$1,500.00	Retirement	Completed program
Wendy	Female	White	49	Married	Three (adult)	\$4,500.00	Retirement	Completed program
Yolanda	Female	African American	31	Single	None	\$3,251.86	Education and retirement	Completed program
Yvonne	Female	African American	43	Divorced	Five (all teens)	\$4,199.51	Home repair and home Purchase	Completed program

¹Those over 65 years of age are identified as 65+

^aSource: In-depth Interviews

^bSource: Abt Associates (2004)

^cSource: MIS IDA (2004)

2.2 Control Respondents					
Control Respondent Pseudonym	Gender ^a	Race ^a	Age ^{1b}	Marital Status ^a	Number of Children ^a
Anne	Female	White	33	Married	Two (infant-age 6)
Camille	Female	African American	58	Divorced	Three (ages 8-15, grandchildren)
Carol	Female	White	38	Single	One (age 1)
Darlene	Female	African American	33	Single	Three (ages 5-10)
Debra	Female	White	23	Engaged	None
Denisha	Female	African American	20	Single	Two (infant-age 3)
Elizabeth	Female	Multiracial	52	Divorced	One (age 16)
Gordon	Male	Multiracial	28	Married	Three (infant-age 4)
Ida	Female	African American	50	Married	Two (ages 12, 13)
Jake	Male	White	34	Single	One (age 6)
Judith	Female	African American	65+	Married	Two (ages 10, 11, grandchildren)
Kathleen	Female	White	32	Divorced	Two (ages 9, 13)
Kimberly	Female	White	37	Married	Four (ages 2-11)
Laura	Female	White	26	Single	One (age 5)
LaVonne	Female	African American	46	Divorced	Two (ages 4, 19)
Maria	Female	Latina	57	Married	One (age 12)
Mary	Female	White	22	Single	One (toddler)
Maxine	Female	African American	33	Single	Two (ages 4, 6)
Shannon	Female	White	39	Divorced	Two (ages 13, 15)

2.2 Control Respondents Cont.					
Stephanie	Female	White	29	Single	None
Terrell	Male	African American	28	Married	Three (infant-age 5)
Tonya	Female	White	33	Single	Three (ages 7-12)
Trish	Female	American Indian	30	Married	Three (ages 4-8)
Veronica	Female	African American	30	Single	One (age 9)
Victor and Esperanza		Multiracial	62	Married	One (age 10, grandson)

¹Those over 65 years of age are identified as 65+

^aSource: In-depth Interviews

^bSource: Abt Associates (2004)

