Research Report

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Michelle Putnam, Nancy Morrow-Howell, Lin Zhang, and Michael Sherraden

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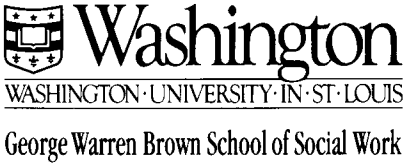

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Contents

Preface and Acknowledgements **5**

Executive Summary **7**

Background and Purpose **9**

Research Methods **9**

Results **11**

Conclusions **13**

Tables **14**

Preface and Acknowledgements

Support for this report comes from AARP. However, since the data used are from the American Dream Demonstration (ADD), we would like also to acknowledge the foundations that have funded ADD research directly. They are the Ford Foundation, Charles Stewart Mott Foundation, F.B. Heron Foundation, and Metropolitan Life Foundation. Other foundation supporters of ADD include Citigroup Foundation, Fannie Mae Foundation, Ewing Marion Kauffman Foundation, Rockefeller Foundation, Levi Strauss Foundation, John D. and Catherine T. MacAurthur Foundation, and the Moriah Fund.

Center for Social Development (CSD) staff and research associates have worked for several years on ADD research. Lissa Johnson managed ADD and led in creation of MIS IDA software which was used to collect these data. Margaret Clancy worked with ADD programs and led in creation and use of quality control software for a quality data set. Mark Schreiner prepared the data for analysis and provided technical assistance with data analysis for this study. Anna Shabsin served as a Research Assistant.

Executive Summary

This research report is the second of a three-part series aimed at developing a greater understanding of older adults and their use of Individual Development Accounts (IDAs). Key findings from this analysis are:

- **Older IDA participants, on average, have better savings outcomes than younger IDA participants.** Older adults (age 50 or older) participating in ADD have significantly higher average accumulative net deposits, average monthly net deposits, and deposit frequencies (percent of eligible months with a deposit) than younger ADD participants (age 49 or younger).

- **Older IDA participants, on average, participate in more hours of financial education than younger IDA participants.** Older ADD participants report a significantly higher average number of hours spent receiving financial education from their IDA program than younger participants. IDA program characteristics are significantly related to savings outcomes. More time spent receiving financial education, higher matching rates, higher monthly savings targets, and utilization of direct deposit are associated with better saving outcomes for all participants in this analysis.

- **When controlling for individual and IDA program characteristics, increased age is predictive of better saving outcomes.**

- **Holding a college or advanced degree is also associated with both increased saving amounts and frequency of deposits.**

- **African American IDA participants have lower savings rates than Caucasians, and both African Americans and Latinos/Hispanics have lower frequency of deposits than Caucasians.**

Background and Purpose

This research report is the second of a three-part series aimed at developing a greater understanding of older adults and their use of Individual Development Accounts (IDAs). The intent of this second report is to answer the following question: What individual and IDA program characteristics are associated with saving outcomes among older adults participating in IDA? These questions are answered using data from the American Dream Demonstration programs (ADD), the first nation-wide evaluation of IDAs as tools for asset building and community development. In this report, comparisons are made between older (50 years or older) and younger (49 years or younger) adults for the purpose of identifying variations in IDA participation by age.

Research Methods

Data and sample

Data for this analysis come from the American Dream Demonstration (ADD). ADD researchers followed more than 2000 participants in 14 community-based program sites from 1997 to 2001, with continuing research planned through 2005. ADD employs a multi-method research design, gathering information on a wide range of participant characteristics and behaviors and IDA program features. IDA programs within ADD operate through community organizations in partnership with financial institutions. IDA savings are targeted for specific purposes such as home purchase or renovation, post-secondary education, microenterprise, and retirement. All IDA programs in ADD provide "matches" for participants' savings, with match rates ranging from 1:1 to 7:1. The most common rate is 2:1. Participants must complete the program to receive a matched withdrawal. IDA matching funds are kept for each participant in a separate account by the partnering financial institution. At the time of an approved withdrawal, the match is made. Each IDA program determines for itself how long the waiting period is.

ADD data were collected from the 14 IDA programs and their program participants using the Management Information System for Individual Development Accounts (MIS IDA). Savings data come from the partnering financial institutions, which monitored all savings transactions. All ADD participants are included in this analysis, including those who left their IDA program without receiving a matched withdrawal.

Measures

Key measures included in this analysis include:

- Age: older (50 years or older) and younger (49 years or younger) IDA participants. Older participants range in age from 50 to 72 years old and comprise 9% of the sample. The age range for younger participants is 13 to 49 years old. They make up 91% of ADD participants.

- Accumulative net deposit (AND): the total amount deposited by the participant in the IDA. Net deposits are defined as deposits plus interest, minus unmatched withdrawals. The measure includes matched withdrawals, but excludes deposits in excess of the match cap or after the time cap of the IDA program. Excess deposits, late deposits, and unmatched

withdrawals from matchable balances are defined as "savings". They are not eligible for matching funds, however, so they are not included in the AND figure.

- Average monthly net deposit (AMND): net deposit per month of participation. AMND is calculated as deposit plus interest minus unmatched withdrawals, divided by the number of months of participation. AMND, unlike net deposits, controls for the length of time that a participant has had the opportunity to save.

- Deposit frequency (DF): the number of months with a deposit divided by the number of months of participation. ADD participants enrolled in IDA programs at different times, thus duration of time in the ADD project differs. Thus, this measure shows how steadily a participant saves through time.

- Hours of financial education: the number of hours of IDA program-sponsored financial education an IDA participant attended. Each IDA program sets its own financial education requirements. Financial education curriculum varies across IDA programs. Program participants must attend the minimum number of hours of financial education required by their IDA program. They may elect to attend additional hours. Average number of hours of financial education reflects variances in individual participant behavior.

- IDA match rate: the savings match rate offered by an individual IDA program. Each IDA program sets its own match rate. Match rates vary across ADD sites with a range of 1:1 to 7:1. Average match rate identifies variance in IDA program characteristics.

- Monthly savings target: the monthly savings goal set by IDA programs. Monthly savings target describes an IDA program characteristic. Average monthly savings target reports variances in IDA programs' monthly savings goals. The measure does not report if participants met that goal.

- Direct deposit: indicate whether or not the participant used a direct deposit mechanism to deposit savings into the IDA.

Analysis

Descriptive and comparative analyses were performed across age groups, evaluating differences in savings outcomes of ADD participants (Table 1). Multivariate analyses were performed to evaluate the relationship of individual participant and IDA program characteristics to saving outcomes for all ADD participants (Tables 2A, 2B, and 2C), and the relationship of individual participant and IDA program characteristics to saving outcomes for older ADD participants only (Table 4). The statistical procedure for these analyses is multiple regression. To evaluate individual participant characteristics that are categorical or ordinal in nature (as opposed to interval), a reference group was created for each variable. These reference groups are listed in parentheses in each table. The interpretation of statistical significance for each category of a variable is in relation to this reference group.

Results

What individual and IDA program characteristics are associated with saving outcomes among older adults participating in IDA?

This question is answered through a series of analyses. First, older and younger ADD participants are compared in terms of savings outcomes and IDA program characteristics (Table 1).

Savings outcomes: Older participants report significantly higher average accumulative net deposits, average monthly net deposits, and deposit frequencies (% of eligible months with a deposit) than younger participants. Differences are reported as:

- Accumulative net deposits: On average, $775.27 older participants vs. $536 for younger participants.
- Average monthly net deposits: On average, $22.09 for older participants vs. $15.54 for younger participants.
- Deposit frequency: On average, .57 (57% of their eligible program months) for older participants vs. .46 (46%) for younger participants.

IDA program characteristics: Older ADD participants report a significantly higher average number of hours spent receiving financial education from their IDA program than younger participants. On average, older participants spent 11.88 hours receiving financial education from their IDA program compared to an average of 10.88 hours for younger participants. There are no significant differences in the match rates of IDA programs older and younger adults are enrolled in or in the monthly savings targets of those programs. Additionally, both age groups use direct deposit at a similar rate.

Second, the relationship of individual participant and IDA program characteristics to saving outcomes for all ADD participants are evaluated. Three separate statistical models are created to do this.

In the first model, Model 1, participant and program characteristics are analyzed in relation to savings outcomes. Results from this model (Table 2A) indicate that when controlling for other factors, older ADD participants saved significantly more (both in terms of AND and AMND) and more frequently than younger participants. There are no gender differences in savings outcomes, but differences by race and ethnicity are present. On average, African Americans saved significantly less than Caucasians. African Americans and Latinos/Hispanics saved significantly less frequently than Caucasians. Across all savings measures, holding a college degree increased savings performance. Employment status does not produce differences with the exception of those who identified as students; they have significantly higher AMND. Marital status is influential only in terms of deposit frequency for single participants, which is less than married participants. Regarding IDA program characteristics, increased hours of financial education, higher match rates and monthly savings targets, and utilization of direct deposit are all associated with better savings outcomes with a single exception. Match rates are not significantly associated with deposit frequency. This model explains twenty-four percent of the variance in AND, twenty-three percent of the variance in AMND, and nineteen percent of the variance in deposit frequency.

In the second model, Model 2, interactions between age and individual participant characteristics are added to Model 1. Table 2B presents the results. All variables found to be significant in Model 1 remain significant in Model 2 with the exception of age. In Model 1, being older was related to stronger savings outcomes. In Model 2, with the interaction terms introduced, age in and of itself is not predictive of savings outcomes. Age is, however, still significant but its relationship to savings outcomes is shown to be more refined in the following ways:

- Although women in general saved less than men, older women have significantly higher average savings rates than younger women.
- Although Latinos/Hispanics have significantly lower AMNDs than Caucasians, older Latinos saved even less than younger Latinos.
- Although higher education is related to more positive saving outcomes in general, the positive effects of education are not as strong for older savers. Specifically, these findings show that older participants with graduate level education do not have better saving outcomes than those who do not graduate from high school education.
- Older adults who work full-time have significantly higher savings rates and frequencies of deposits than younger participants who work full-time, compared to unemployed participants.
- Although monthly savings target is associated with better saving outcomes in general, older program participants with higher monthly savings targets have even better saving outcomes than younger participants with higher monthly savings targets.

Additionally in this model, women are significantly more likely to have lower ANDs than men. Model 2 explains twenty-five percent of the variance in AND, twenty-four percent of the variance in AMND, and nineteen percent of the variance in deposit frequency.

In the third model, Model 3, interactions between age and IDA program characteristics are added to Model 1. Table 2C presents the results. As in Model 2, in Model 3, all variables found to be significant in Model 1, remain significant. There is a single significant interaction effect found between age and the IDA program characteristic monthly savings target. Older program participants with higher monthly savings targets have significantly better saving outcomes than younger participants with the same monthly targets. Model 3 explains twenty-five percent of the variance in AND, twenty-four percent of the variance in AMND, and twenty percent of the variance in deposit frequency.

Third, the relationship of individual participant and IDA program characteristics to saving outcomes for older ADD participants only is evaluated using Model 1. In this analysis, (presented in Table 3), older women saved less in absolute amount but more in average amount than older men. This is because within the time frame of the ADD data collection, the mean number of months older women were enrolled in an IDA program is less than the mean for men (28.25 months vs. 29.20 months). African American older participants saved significantly less than older Caucasians. Increased age is positively associated with deposit frequency. In terms of IDA program characteristics, more hours spent receiving financial education and higher monthly savings targets positively affect saving outcomes. Utilization of direct deposit increased deposit frequency among older participants. Model 3 explains thirty-nine percent of the variance in

AND, thirty-seven percent of the variance in AMND, and thirty-six percent of the variance in deposit frequency.

Conclusions

Findings from these analyses indicate that older participants in IDA programs are more successful savers than younger participants. In addition, program characteristics have important influences on savings behaviors among older participants. These two findings together suggest that IDA programs may be a successful means of helping low-income older adults save, however the design of the program will be important for ensuring this success.

Not all older participants have the same level of success in saving through IDA programs. Gender, race, education, and employment can all influence savings outcomes. Thus in developing IDA programs targeted towards older adults, giving attention to variations in savings behaviors by participant characteristics will be important.

Tables

Table 1. Differences in Saving Outcomes & IDA Program Characteristics between Age Groups

Saving Outcome / IDA Program Characteristics	Entire Sample (N = 2,350)		Older Participants (n = 214)		Younger Participants (n = 2,136)		Test Statistics
	M	SD	M	SD	M	SD	
Accumulative net deposits (AND)	557.92	722.23	775.27	813.83	536.14	708.95	t (246) = -4.14 *** [a]
Average monthly net deposit (AMND)	16.13	19.54	22.09	21.35	15.54	19.25	t (249) = -4.32 ***
Deposit frequency (DF)	.47	.27	.57	.28	.46	.27	t (2,348) = -5.85 ***
Hours of financial education	10.41	7.59	11.88	7.65	10.26	7.57	t (2,178) = -2.87 **
Match rate	2.07	1.02	2.05	1.08	2.07	1.02	t (2,348) = .20
Monthly savings target	41.50	20.64	40.38	19.43	41.61	20.76	t (2,348) = .83
	n	%	n	%	n	%	
Direct deposit (1 = Yes)	130 [b]	5.86	12 [b]	5.71	118 [b]	5.87	χ^2 (1, 2,219) =.01

Note. Percentages for the entire sample represent distribution within the variable, while percentages in "Older Participants" and "Younger Participants" columns represent distribution within groups.

[a] Statistically significant differences between older participants and younger participants are designated as follows: * p < .05, ** p < .01, *** p < .001.

[b] There are 4 and 127 missing cases in terms of "direct deposit" for older participants and younger participants, respectively.

Table 2A. Model 1: Differences in Saving Outcomes by Individual Participant and IDA Program Characteristics (N=2350)

Independent Variables	AND	t Value	AMND	t Value	DF	t Value
Intercept	184.03	1.66	5.21	1.71	.35	7.95***
Individual Characteristics						
Age						
Older participants	132.63	2.49*	3.56	2.44*	.07	3.09**
(Young participants)						
Gender						
Female	-45.75	-1.18	-.88	-.83	-.02	-1.05
(Male)						
Race/Ethnicity						
African American	-314.25	-9.34***	-8.03	-8.71***	-.07	-5.36***
Latino or Hispanic	-40.71	-.74	-2.00	-1.32	-.05	-2.25**
Other ethnicity	-35.57	-.62	-.18	-.11	-.03	-1.37
(Caucasian)						
Marital status						
Single	-75.27	-1.63	-2.09	-1.65	-.04	-2.17*
Divorced/widowed	-11.17	-.23	-.29	-.21	.01	.52
(Married)						
Education						
Completed high school	11.49	.24	-.42	-.31	.02	1.30
Attended some college	65.44	1.45	1.45	1.18	.03	1.47
Graduated from college	210.42	3.58***	6.12	3.81***	.06	2.60**
Attended graduate school	296.39	4.98***	7.87	4.83***	.08	3.46***
(Did not graduate from HS)						
Employment status						
Employed full-time	-23.09	-.44	-.73	-.51	.01	.44
Employed part-time	35.30	.64	-.95	.62	.02	.78
Student	110.85	1.62	3.94	2.09*	-.00	-.10
(Unemployed/not working)						
Household composition						
Number of children	-3.75	-.35	-.34	-1.17	-.01	-1.57
Number of adults	33.37	1.39	1.21	1.83	-.01	-1.23
Income						
Monthly household income	2.20	.94	.12	1.85	-.00	-.73
Institutional Characteristics						
Hours of financial education	18.77	9.58***	.49	9.08***	.01	9.82***
Match rate	-80.26	-4.58***	-1.89	-3.93***	.00	.02
Monthly savings target	9.38	11.51***	.24	10.91***	.00	7.25***
Direct deposit (1 = Yes)	183.48	3.03**	4.55	2.74**	.24	10.18***
R^2	.24		.23		.19	

Notes: Categories in parenthesis is reference group. * p < .05. ** p < .01. *** p < .001.

Table 2B. Model 2: Differences in Saving Outcomes by Individual Participant and IDA Program Characteristics (with Age x Participant Characteristic Interactions) (N=2350)

Independent Variables	AND	t Value	AMND	t Value	DF	t Value
Intercept	225.41	1.98*	6.30	2.02*	.36	8.01***
Individual Characteristics						
Age						
Older participants	64.60	.31	1.53	.26	.04	.43
(Younger participants)						
Gender						
Female	-94.10	-2.29*	-2.18	-1.93	-.02	-1.34
(Male)						
Race/Ethnicity						
African American	-299.91	-8.50***	-7.71	-7.98***	-.07	-4.85***
Latino or Hispanic	-14.04	-.24	-1.02	-.64	-.05	-2.18*
Other ethnicity	-23.76	-.40	.01	.01	-.03	-1.40
(Caucasian)						
Marital status						
Single	-61.02	-1.28	-1.68	-1.29	-.04	-2.10*
Divorced/widowed	10.53	.21	.20	.14	.01	.59
(Married)						
Education						
Completed high school	43.38	.85	.49	.35	.03	1.70
Attended some college	84.41	1.78	2.09	1.61	.04	1.98*
Graduated from college	239.14	3.82***	7.09	4.14***	.07	2.99**
Attended graduate school	349.69	5.59***	9.35	5.45***	.10	3.97***
(Did not graduate from HS)						
Employment status						
Employed full-time	-79.05	-1.38	-2.26	-1.45	-.02	-.72
Employed part-time	-4.43	-.07	-.27	-.16	-.00	-.10
Student	68.09	.95	2.71	1.38	-.02	-.86
(Unemployed/not working)						
Household composition						
Number of children	-1.73	-.16	-.28	-.95	-.01	-1.53
Number of adults	31.30	1.30	1.16	1.75	-.01	-1.27
Income						
Monthly household income	2.18	.93	.12	1.85	-.00	-.68
Institutional Characteristics						
Hours of financial education	18.42	9.40***	.48	8.92***	.01	9.71***
Match rate	-79.34	-4.53***	-1.85	-3.86***	.00	.18
Monthly savings target	9.33	11.44***	.24	10.80***	.00	7.19***
Direct deposit (1 = Yes)	190.99	3.15**	4.76	2.87**	.24	10.21***
Interaction						
Age × gender						
Older × female	381.01	3.08**	10.02	2.96**	.02	.34
Age × race						
Older × African American	-164.50	-1.45	-3.90	-1.26	-.05	-1.12

Older × Latino	-291.13	-1.65	-10.08	-2.08*	-.01	-.20
Older × other	-107.17	-.45	-1.24	.19	.04	.40
Age × marital status						
Older × single	-130.14	-.83	-3.24	-.75	.02	.30
Older × divorced	-161.60	-1.11	-3.21	-.80	.03	.45
Age × education						
Older × high school	-244.54	-1.46	-7.01	-1.53	-.07	-1.03
Older × some college	-67.96	-.44	-3.16	-.75	-.09	-1.52
Older × college	-233.70	-1.27	-8.00	-1.59	-.12	-1.66
Older × graduate school	-435.27	-2.14*	-11.78	-2.11*	-.16	-2.03*
Age × employment status						
Older × full-time	293.97	2.14*	8.28	2.19*	.15	2.70**
Older × part-time	64.06	.42	2.88	.69	.08	1.27
Older × student	-78.50	-.17	1.07	.08	.25	1.32
R^2	.25		.24		.19	

Notes: Categories in parenthesis is reference group. * p < .05. ** p < .01. *** p < .001.

Table 2C. Model 3: Differences in Saving Outcomes by Individual Participant and IDA Program Characteristics (with Age x IDA Program Characteristic Interactions) (N=2350)

Independent Variables	AND	t Value	AMND	t Value	DF	t Value
Intercept	207.23	1.86	5.73	1.87	.36	8.29***
Individual Characteristics						
Age						
Older participants	-350.34	-1.46	-8.49	-1.29	-.24	-2.55*
(Young participants)						
Gender						
Female	-45.30	-1.17	-.85	-.80	-.02	-1.08
(Male)						
Race/Ethnicity						
African American	-311.96	-9.30***	-7.96	-8.65***	-.07	-5.27***
Latino or Hispanic	-24.39	-.44	-1.57	-1.04	-.04	-1.91
Other ethnicity	-29.29	-.51	-.02	-.01	-.03	-1.23
(Caucasian)						
Marital status						
Single	-74.64	-1.62	-2.09	-1.65	-.04	-2.15*
Divorced/widowed	-11.08	-.23	-.32	-.24	.01	.56
(Married)						
Education						
Completed high school	15.43	.32	-.31	-.23	.03	1.33
Attended some college	76.04	1.69	1.71	1.38	.03	1.65
Graduated from college	220.88	3.77***	6.38	3.97***	.06	2.70**
Attended graduate school	310.65	5.23***	8.19	5.02***	.09	3.66***
(Did not graduate from HS)						
Employment status						
Employed full-time	-42.13	-.81	-1.19	-.83	.00	.08
Employed part-time	14.00	.25	.43	.29	.01	.42
Student	91.82	1.34	3.48	1.85	-.01	-.36
(Unemployed/not working)						
Household composition						
Number of children	-3.05	-.29	-.33	-1.13	-.01	-1.52
Number of adults	31.33	1.30	1.16	1.77	-.01	-1.31
Income						
Monthly household income	2.58	1.10	.13	2.00*	-.00	-.55
Institutional Characteristics						
Hours of financial education	18.42	8.96***	.49	8.67***	.01	9.13***
Match rate	-79.29	-4.08***	-1.76	-3.52***	-.00	-.10
Monthly savings target	8.67	10.41***	.23	9.88***	.00	6.15***
Direct deposit (1 = Yes)	204.40	3.23**	5.01	2.89**	.25	10.07***
Interaction						
Older × hours of financial education	.60	.09	-.09	-.48	.00	.25
Older × match rate	14.77	.23	.69	.39	.04	1.75
Older × monthly savings target	11.44	3.48***	.30	3.31***	.01	4.13***

Older × direct deposit	-244.16	-1.16	-5.46	-.95	-.09	-1.13
R^2	.25		.24		.20	

Notes: Categories in parenthesis is reference group. * p < .05. ** p < .01. *** p < .001.

Table 3. Differences in Saving Outcomes for Older ADD Participants by Individual Participant and IDA Program Characteristics (N=214)

Independent Variables	AND	t Value	AMND	t Value	DF	t Value
Intercept	-49.95	-.07	2.35	.12	-.32	-1.27
Individual Characteristics						
Age	2.38	.25	.07	.26	.01	1.98*
Gender						
Female	-375.18	2.91**	10.45	3.04**	.01	.32
(Male)						
Race/Ethnicity						
African American	-405.85	-3.39***	-9.86	-3.09**	-.08	-1.92
Latino or Hispanic	-170.04	-.91	-7.26	-1.46	-.00	-.05
Other ethnicity	-113.45	-.44	-1.42	-.21	.02	.25
(Caucasian)						
Marital status						
Single	-203.27	-1.03	-7.04	-1.34	.04	.63
Divorced/widowed	-247.65	-1.40	-7.15	-1.52	.05	.84
(Married)						
Education						
Completed high school	-167.26	-.97	-5.23	-1.14	-.05	-.83
Attended some college	53.75	.34	-.14	-.03	-.05	-.91
Graduated from college	18.89	.10	-.70	-.14	-.05	-.72
Attended graduate school	5.11	.02	-.33	-.06	-.01	-.17
(Did not graduate from HS)						
Employment status						
Employed full-time	50.79	.34	1.95	.49	.08	1.56
Employed part-time	-70.38	-.45	-.24	-.06	.02	.44
Student	45.41	.09	3.92	.29	.31	1.73
(Unemployed/not working)						
Household composition						
Number of children	17.72	.35	.69	.50	.01	.67
Number of adults	-44.55	-.47	-2.43	-.97	.01	.29
Income						
Monthly household income	4.98	.47	.21	.74	-.00	-1.08
Institutional Characteristics						
Hours of financial education	15.43	2.24*	.32	1.73	.01	3.63***
Match rate	-90.67	-1.28	-1.94	-1.03	.05	1.93
Monthly savings target	18.93	4.90***	.48	4.64***	.01	5.62***
Direct deposit (1 = Yes)	-18.38	-.08	.37	.06	.18	2.30*
R^2	.39		.37		.36	

Notes: Categories in parenthesis is reference group. * p < .05. ** p < .01. *** p < .001.