# Book Review

# Striving to Save: Creating Policies for Financial Security of Low-Income Families

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One of the perks of being Book Review Editor for the *Journal of Financial Counseling and Planning* (*JFCP*) is the opportunity to occasionally receive free books from publishers who are looking for favorable comments and market exposure. The day that *Striving to Save* arrived at my office, I was planning to buy a book to read for a *JFCP* book review on a long plane trip beginning the following day. Not only did I save money by not having to buy a new book, but I was also treated to an extremely well-written and painstakingly researched publication. In fact, if the book had not been sent to me, I probably would have bought it. As someone who has taught low-income savers for three decades, supported *America Saves,* and run a statewide individual development account (IDA) financial education program, I was immediately intrigued by the book's content. *Striving to Save* is a qualitative and quantitative study of the savings experiences of 84 low-income families, including 59 families who participated in the well-publicized American Dream Demonstration (ADD) IDA (matched savings program) pilot project. Data were collected through in-depth interviews and reported in respondents' own words. I immediately decided to read this book myself and not pass it on to another reviewer. Ten chapters (262 pages) later, I was definitely not disappointed.

Despite its data-driven content, *Striving to Save* is, surprisingly, an "easy read." Each chapter is the equivalent of reading the combination of a refereed journal article with APA-style referencing, a university research report, a collection of financial case studies, *and* well-written human interest stories about "real people" who are struggling to save money despite considerable life challenges. Amazingly, all of these components blend seamlessly within each chapter. Just when the ADD research results start getting a bit "heavy," the authors insert short vignettes that illustrate how the quantitative research findings were evident in the lives of the research subjects, primarily female single parents. These stories are incredibly inspiring and can be used by financial educators to motivate low-income audiences and teach them specific strategies to save money. *Striving to Save* should be read by anyone who is teaching or developing curriculum materials for low-income audiences, conducting research about savings by low-income audiences, overseeing IDA programs, or developing public policies designed to help low-income households save.

The authors of *Striving to Save* are experts on public policy incentives that encourage saving. Margaret Sherrard Sherraden is a Professor of Social Work at the University of Missouri in St. Louis and Amanda Moore McBride is Assistant Professor of Social Work at Washington University in St. Louis. The latter institution is where Michael Sherraden conceptualized and introduced the concept of IDAs and proposed that asset building be a cornerstone of public policy for the poor. The book also includes an extensive reference list that features hundreds of empirical studies about asset building, savings behavior, behavioral finance, household debt, low-income households, and related topics. As a reviewer quote on the book jacket aptly

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noted about *Striving to Save*, "The central contribution of the book is to use original qualitative research to provide readers with a nuanced understanding of the financial difficulties facing low-income households, their financial decision-making processes, and their paths to saving and building assets over time."

In the Introduction, Saving in Low-Income Households, the authors of *Striving to Save* set the stage for subsequent anecdotal descriptions of low-income savers. They note that low-income Americans face a variety of challenges. Many lack basic transaction instruments and savings vehicles that benefit middle-and upper-income families (e.g., IRAs and 529 college savings plans) are not financially attractive. They also describe the book's experimental research framework where the experiences of 59 IDA program participants are compared with those of 25 low-income individuals who signed up for the IDA program but were not selected to participate. One of the study respondents, Camille, is introduced and research studies and government statistics about asset accumulation in poor households are described. One startling statistic was that net worth in the poorest 40% of U.S. households averaged only $2,200 in 2004! Factors contributing to lack of assets in poor households include: (a) low wage employment, (b) low levels of wealth transfer from one generation to the next, (c) lack of financial transaction accounts, (d) inability to take advantage of policies that structure and subsidize asset building in wealthier households, and (e) public policies that discourage asset accumulation because of asset tests for public benefits. The organization of the book is then described starting with a description of the "context for saving" by Camille and 83 others and concluding with a description of the impact of the IDA program and suggestions for future public policy and research.

Chapter 1, Research on Matched Savings in Low-Income Households, begins with a description of individual development accounts (IDAs) and the first large-scale test of IDAs, the American Dream Demonstration. IDA program features, including monthly deposits, approved savings goals, savings incentives, and financial education classes, are described in detail. The authors also note that field research for *Striving to Save* was conducted at the Community Action Project of Tulsa County office. All respondents were employed and had incomes below 150% of poverty level. The process for selecting respondents from a sampling frame of 223 IDA participants and details about the study's qualitative research methods are explained.

In Chapter 2, Theory and Evidence on Saving in Low-Income Households, theories and studies of asset accumulation in poor households are described. A key behavioral finance concept is loss aversion. Saving money is difficult because people feel the pain of saving now more than the joy of seeing their savings increase later. People also have a tendency to procrastinate, which contributes to the tendency to spend rather than save, and to use mental accounting, where they are more likely to save windfall income when they assign it to an "asset account" than to a "current income account." The chapter describes how contractual agreements shape savings behavior and how low-income households currently have limited access to savings supports such as automatic deductions and direct deposit. Other topics covered in this chapter include: the impact of financial education on savings behavior, default enrollment in savings plans, IDA match caps and time caps (i.e., limits on how much savings will be matched and for how long), and economic, psychological, and social effects of savings.

Setting the Stage: Economic Socialization and Coming-of-Age in a Working-Poor Family is the title of Chapter 3. Childhood financial experiences of Camille and several other respondents are discussed at length both with analysis by the authors and verbatim quotes. A key finding was that "Families of origin by and large were unable to muster and pass along economic advantages to their children. Without these resources, children faced an uphill battle to accumulate wealth in adulthood" (p. 50). At the end of this chapter and several others is a Discussion section that summarizes the qualitative data presented earlier. For example, it was noted that few respondents learned much about details of financially managing a household and saving. They *did,* however, learn how to manage on relatively little money from watching their parents' frugality.

Chapter 4, Managing Household Finances and Making Ends Meet on a Low Income, introduces several additional survey respondents to readers. The focus of this chapter is their current financial management practices. Qualitative and quantitative data from the study are seamlessly juxtaposed with participant anecdotes and quotes. For example, when public assistance is discussed as an income source, there are several participant viewpoints about it in the same paragraph. This format is repeated for a myriad of other chapter topics including employment, family support, tracking income and expenses, economizing, credit cards, alternative financial services, checking and saving accounts, tithing, and juggling bills. In the Discussion section, the authors note that respondents tend to have one foot in mainstream financial services and the other in alternative financial services. In addition, they view their first obligation to be their children.

Credit use and debt are the subject of Chapter 5, Problem Debt and Creditworthiness. As was previously done in Chapters 3 and 4, these topics are explored through the lens of low-income study respondents, who are quoted extensively and describe how they got into debt and their efforts to repay what they owe. The authors note that "When financial management strategies fail to reduce families' expenses, when families cannot earn more money, or when they deplete their small savings, they must borrow, thereby increasing debt." Some respondents sunk slowly into debt while others ran up at lot of debt at once, often due to a crisis event. Low-income families have little margin for error when events such as a health emergency or job loss occur.

Chapter 6, Striving to Save, explores how respondents tried to save and invest over their lifetimes. Most saved at home or in a bank account, while a few had retirement or other types of accounts. Again, the chapter combines research data with respondents' personal anecdotes, which makes the book interesting to readers. Among the topics explored in this chapter are savings goals, tithing, residual saving (i.e., the inadvertent accumulation of surplus money, which is rare), contractual saving (e.g., savings via workplace savings accounts and insurance), and discretionary saving (i.e., money that is deliberately and actively accumulated). Savings strategies and obstacles are also described. The authors note in the Discussion section that few of the respondents were successful at long-term savings to meet large goals. Another commonality among the respondents was that their accumulated savings are often within fairly easy reach.

In Chapter 7, Saving in Individual Development Accounts, the authors turn their attention to respondents' saving via participation in the IDA program. As with the previous chapters, concepts are presented through the thoughts and experiences of respondents. IDA program features are described in detail including savings targets, the savings match (2:1 for homeownership and 1:1 for other financial goals), staff encouragement, financial education classes, required deposits (a minimum of $10 monthly), and unmatched withdrawals. The issue of building trust is also discussed. Many respondents were initially skeptical and thought the IDA program was a scam. The authors note in the Discussion section that IDAs include a bundle of features that help participants save and include design features that, at least to some degree, take into account the lives of the poor (e.g., matched savings and low required deposits). In addition, approved uses for IDA savings (a home, education, a business, or retirement) often coincide with participants' goals, which is an incentive to save.

Chapter 8, Saving Strategies in Individual Development Accounts, describes in respondents' own words how they earmarked money for IDA savings and struggled to avoid spending it. Specific IDA savings strategies included reducing consumption and spending more efficiently, focusing on savings goals, mental accounting and earmarking sources of savings, increasing income, and paying their IDA savings account first. Some respondents also "pretended their IDA savings were not there" (p. 148) and adopted personal rules of thumb for when savings could be spent. A few moved assets from existing savings to their IDA account. The chapter also reviewed the challenges of saving in an IDA including low and volatile incomes, medical and other emergencies, and inconvenient financial services, i.e., "Participants' days are busy with work and caring for children. Making an IDA deposit is one more thing they must add to their long list" (p. 200). Very few respondents reported using direct deposit. In the Discussion section, the authors note that IDAs lack an automatic savings feature (e.g., electronic transfers or automatic deposit), which is a disincentive to save: "IDA participants must take greater initiative and expend more individual effort than participants in a typical employment-based retirement plan. The onus is on the participant to generate the small savings out of typically very tight budgets and deposit these funds into the IDA" (p. 204).

Effects of IDA Program Participation, Chapter 9 discusses just that: the impact of the IDA program on participants and their families. Again, the "richest" data come from the quotes derived from the in-depth interviews. The following effects of saving (which, by the way, have nothing to do with finances) are described: security, future orientation and hope, self-confidence, and personal and civic responsibility. Respondents also modeled positive savings behavior for their children. Only 36 of the 59 IDA participants drew a savings match, however. The others made withdrawals for reasons other than the approved savings goals. Discussion of the meaning of the IDA program and the hope that it instills is especially moving.

The final chapter of *Striving to Save* is the Conclusion: Saving Theory, Policy, and Research. It begins with a final look at the lives of several respondents and a summary of the book's key findings and concludes with theoretical, policy, and research implications. The authors note that most participants said that each IDA program feature helped them to save and that they generally appreciated program rules and restrictions designed to encourage them. For example, when participants withdrew savings for unapproved purposes, they forfeited the savings match, a 100% or 200% penalty! However, even with the support and structure of the IDA program, it is difficult for low-income families to accumulate much or avoid spending their savings. The authors urged the increased adoption of contractual savings in IDA programs instead of the current practice of participants mailing or hand-delivering deposits. As the authors aptly note, "It is doubtful that the typical person in an employer-based retirement plan would make as much effort as many people are required to make in an IRA" (p. 251).

*Striving to Save* is interesting, informative, and intensely personal, thanks to the descriptions of respondents and their verbatim quotes. After reading a few chapters, readers will have a much better appreciation of the constrained financial lives that low-income families lead. In fact, *Striving to Save* should be required reading for anyone teaching low-income families to save, or writing financial education curriculum materials for low-income families, or running an *America Saves* campaign. The book can help financial educators and counselors "walk in the shoes" of the people that they serve. Several things might improve *Striving to Save*. One is less repetition. The book could easily be 20 to 30 pages shorter by eliminating redundancies in the reporting of research data and in the organization of its content. Two other items that would have been good to include are more specific details about public policy recommendations to encourage low-income families to save and a 3- to 5-year follow up evaluation and/or description of the lives of the survey respondents.