Cash Flow Management of Low-income Newlyweds

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Are low-income newlywed couples different from their middle- and upper-income counterparts in terms of the way they feel about cash flow management and the patterns of their cash flow management behavior? That question was the focus of this study which utilized data from 106 newlywed couples. Using MANCOVA analyses that controlled for differences in the couples' ages and education, it was found that low-income couples differed from moderate-income couples on three dimensions--projecting a budget, attitudes toward planning and success, and feelings about the role of skills in success. Low-income couples differed from their high-income counterparts on seven dimensions--record-keeping, monitoring their income and spending, projecting a budget, balancing their budget, attitudes about planning for success, feelings about the need for planning, and attitudes about the role of skills in success. In each case, low-income couples reported more "effective" attitudes and behavior that dispel the stereotypes about low-income individuals.

KEY WORDS: *cash flow management, low-income newlyweds*

Do low-income newlywed couples differ in their cash flow management from higher income couples? While the study of some aspects of family financial management has a long history, detailed examination of families' cash flow management is of recent origin. The cash flow management behavior of low-income families has rarely been studied at all. The definitional characteristic of low-income families is that they have less money and, thus, greater difficulty in maintaining an adequate level of living. It is important to understand how they manage the fewer dollars they have in today's complex, constantly changing financial environment. The potential problems of low-income families with cash flow management and their need for help in managing their more meager resources are reasons they should be singled out for study.

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Various economic, sociological, and psychological factors affect the cash flow management behavior of low-income families. Educators and practitioners who attempt to help low-income families improve their cash flow management skills sometimes feel their behavior is irresponsible and irrational. This view suggests that low-income families have different cash flow management attitudes and behavior than other groups. According to this argument, low-income family members are more present oriented because their future is uncertain, less efficient in their management styles, and less internally controlled when managing their money. Another view of low-income families is that "they are just like we are, except they have less money." This argument suggests that no differences should be observed in the cash flow management attitudes and behaviors of low-income families and families with higher incomes. Understanding the similarities and differences in the cash flow management of low income families and their higher income counterparts is important for financial counselors and educators working with low-income populations.

According to Andreasen (1975), education and income have a significant impact on the cash flow management behavior of low-income families. Many low-income persons have a low level of education that affects their ability to make effective financial decisions in today's complex marketplace. Their low education also affects their ability to increase their income in order to meet family needs and limits their access to less expensive financial products and services.

Beyond an obvious need for more research in this area, other reasons support the need to address the cash flow management behavior of low-income families. The increasing number of low-income families demands greater attention to this population. Despite the economic growth during much of the 1980s, there were almost 6.9 million families in poverty in 1988, compared to 5.3 million in 1978 (U.S. Department of Commerce, 1991). As low-income persons comprise a larger proportion of the population, the importance of helping them make the most of their financial resources also grows. To ignore deficiencies that inhibit their abilities to function effectively in the financial marketplace is to invite increasing demands by low-income persons on public financial resources.

Previous Research

Family financial management is the planning, implementing, and evaluating behavior involved in the allocation of families' current flow of income and their stock of wealth toward the end of meeting the family's implicit or explicit financial goals. Family financial management encompasses these activities over a broad range of decisions concerning cash flow, debt, saving, investment, insurance, retirement planning, estate planning, and tax planning, as well as record-keeping and analysis involving all of these types of decisions. This is consistent with how the term family financial management is defined in current textbooks, as each of these topics is typically covered by one or more chapters in such texts. The concept of family financial management includes activities that are too broad in scope and too disparate to develop a theory which encompasses them all. For example, family cash flow management is an activity that is engaged in universally by families, has a short time horizon, and requires little specialized knowledge to accomplish, while estate planning is typically done only by families with substantial amounts of wealth, has a long time horizon, and requires specialized knowledge and the help of several types of practitioners to accomplish.

The most fundamental aspect of family financial management is family *cash flow management*, defined here as the planning, implementing and evaluating of families involved in allocating the family's flow of income toward meeting their tacit or explicit financial goals over the short term. It is a set of activities which are performed, albeit with varying degrees of frequency and effectiveness, by all families. Whereas all families do not make or implement decisions about insurance, investment, retirement or estate planning, all families do make and must make certain decisions about how their cash flow is managed. Whether or not they realize what they are doing, families implement these decisions on a frequent basis, perhaps daily or several times a week. Family cash flow management subsumes but is not identical to family budgeting, a term which has been ill-defined and loosely used. In addition to including the tasks which typically comprise budgeting (e.g., projecting future income, projecting future expenditures, and reconciling the two), family cash flow management also includes other tasks, such as using financial statements to assess the current financial status of the family and making financial goals. Because of the confusion and ambiguity that surrounds the term "budgeting," its use is avoided.

Current knowledge about families' cash flow management is scarce and particularly so for low-income families. Godwin and Carroll (l986) report "surprisingly little recent research has focused on the financial management attitudes and behavior of families, in spite of an increasingly important need to understand such family behaviors" (p. 77). Regarding the financial management of low-income urban families, Schnittgrund and Baker (l983) report that "little is known about how low-income families manage their incomes" (p. 261).

Several studies have focused on low-income families' expenditures for durable goods, decision making, and credit (Caplovitz, l967; Andreasen and Hodges, l977; Alexis, l974). However, the studies that have been conducted in the area of financial management provide only general information. For example, Wells (l959) conducted a study using a sample of 60 rural families in New York in which there was a wife between 19 and 30 years of age. The families interviewed had incomes that were higher than the average family's income in the U.S. About one-fourth of the respondents indicated that planning and management would help them meet their goals. About 33% had sought advice from either parents or financial intermediaries about managing their finances. Van Bortel and Gross (l954) studied 52 young Michigan women who were in either the high low-income group or high middle-income group and found that the lower-income group did more financial planning than the upper-income group. Families in the lower-income group were also more likely to have written financial plans.

Godwin and Carroll (l986) studied the financial management beliefs and practices of 73 young to middle-aged couples in Tennessee. The financial practices asked about were based on recommended practices for successful management obtained from family finance textbooks. Many of the husbands and wives agreed that the majority of the recommended practices were important. With regard to the specific recommended practices, 75.3% of the wives and 63% of the husbands agreed that having written financial goals was important. However, only 6.8% of the wives and 9.6% of the husbands had written financial goals for the next year. An even smaller percentage of wives and husbands had written financial goals for the next five years and the next 20 years. In addition, 49.3% of the wives and 49% of the husbands agreed that it was important to have a written budget for successful financial management, but only 35.6% of the wives and 26% of the husbands reported that they had a written budget. These findings imply that even though many respondents agreed with the recommended financial management practices, very few practiced them.

Schnittgrund and Baker (l983) studied several financial management attitudes

and behaviors of 199 young to middle-aged low-income black, white and Mexican-American families in Arizona and found that about one-third of each group never had a budget. Two reasons given for not having a budget were "we don't need it," and "we have no money, so we just pay what we can" (p. 265). But, the majority of each group did keep track of their expenditures and believed that families are more satisfied when they plan their spending. Dissatisfaction with the amount of money they could save and dissatisfaction with their use of credit were common among all of the groups. The majority in each group felt that they were able to handle their own money and resolve their own financial problems without intervention or mediation by practitioners.

A study by Lawrence, Carter, and Verma (1987) using 203 Extension Home Economics program participants in Louisiana found that many participants engaged in recommended financial management practices. Many could find financial records when needed (94%), had a budget (81%), and saved for emergencies (65%). The respondents were not as likely to save for long-term goals (57%), to have an income and expense statement (57%), and a balance sheet (31%). The majority (92%) were satisfied with their financial management practices and their satisfaction was related to their use of various financial management practices. More satisfied respondents were more likely to use the financial management practices recommended.

Jeries and Allen (1986), studying 184 American wives in married students housing, investigated the relationship of various financial management practices (budgeting, record-keeping, financial preparedness for emergencies, etc.) to wives' satisfaction with their finances. There was a positive relationship between satisfaction and several financial management practices. Financial management practices that were significant included being prepared financially for emergencies, keeping records of cancelled checks, and achieving family goals and standard of living with the use of a budget.

Mugenda, Hira, and Fanslow (1990) interviewed 123 household money managers in a midwestern town to assess the relationship among communication, money management practices, satisfaction with financial status, and quality of life. They examined money management practices such as estimating the household's income and expenses, reviewing and evaluating the family's spending habits, and figuring the household's net worth and found that the main determinants of such practices were financial knowledge and communication about financial matters with spouse, friends, professionals, and family members.

In summary, the review of literature indicates that several studies have focused on some aspect of financial management behavior, albeit with different conceptual definitions of such behavior and different practices measured. The role of families' income in influencing their financial management behavior has not received much attention. Most of the available studies on family financial management have been very general in nature and very few have specifically investigated the financial management of low-income families. Particularly since many financial counselors and educators work with low-income individuals, it is important to understand the similarities and differences in patterns of cash flow management behavior and attitudes of families of various income levels.

The purpose of this study is to examine the cash flow management behavior and attitudes of newlywed couples with different income levels. More specifically, the goal is to discern whether low-income couples are similar or different on a range of attitudes and behaviors related to cash flow management than middle- and upper-income couples. If differences exist among families' cash flow management according to their level of income, the implications are clear. Educational programs would need to take these differences into account. Financial counselors, credit counselors, and other service providers, particularly those who work with low-income families and individuals, need information on such differences to tailor their intervention and remedial help to this reality.

Low-income families are different than higher income families on demographic characteristics and family structure. Low-income families in the population are more likely to be single-parent, female-headed families and are likely to have younger and less educated heads of households (U.S. Department of Commerce, l991). Here, we examine newlywed *couples* in three different income groups, all of whom were married within the year preceding data collection. By examining only newlywed couples, we control for differences in family structure that exist among the income groups, although including approximately equal numbers of couples in the three income groups does not represent the proportion of these family types that exists in the population. Additionally, even among newlywed couples of various income levels, differences exist in the age and education of the heads of households; we control these differences statistically to attempt to isolate the effects of income differences alone on family cash flow management.

Methods

Sample, data collection, and characteristics of the sample

The newlywed spouses studied here were selected through a two-stage random sampling process. First, 53 counties throughout the state of Georgia were selected from its 159 counties. Then, marriage license applications in the county offices were systematically randomly sampled to obtain a mailing list of newlywed couples in their first marriages who applied for marriage licenses from January-December, l989. Of the approximately 6300 names gathered, 1000 were randomly sampled from the list. In April, l990 questionnaires were mailed to the couples with a cover letter and a self-addressed, return postage guaranteed envelope. One follow-up postcard reminder was sent approximately three weeks later. There were 286 questionnaires that were undeliverable because of inaccurate or changed addresses and 231 couples who were ineligible because at least one of the spouses had been previously married or who were ineligible because the couples were currently separated or divorced. A total of 120 (25% of those eligible newlyweds who received the questionnaire) were returned, but 14 returned questionnaires were not complete and useable. Thus, the sample size available for this analysis is 106 newlywed couples.

Table 1 shows the descriptive data on the sample grouped by income. Of the 106 couples, 35 had total family incomes less than $20,000, 34 reported incomes between $20,000 and $40,000, and the remaining 37 couples had high incomes over $40,000. These income groups were formulated because of the approximate equality of the sample sizes in the three groups and the symmetry of these income ranges. Note that the families we have labelled "low-income" are not synonymous with families living in poverty, although 14 of these couples do have an income below the poverty threshold for their family size. The sample spouses were mainly in their twenties, although over one-quarter of the husbands and over one-tenth of their wives were 30 or older. Husbands' education averaged almost 14 years, while wives' average education

Table 1
Characteristics of the three income groups

Statistic	*Income Groups*			Test
	< $20,000	$20,000-40,000	> $40,000	
	Low (n=35)	Medium (n=34)	High (n=37)	
		Means		F-value

Husbands' age	21.43[a]	24.97[b]	31.05[c]	39.58***
Wives' age	21.40[a]	22.79[b]	27.38[b]	28.42***
Husbands' education	12.31[a]	14.12[b]	15.41[c]	16.43***
Wives' education	12.20[a]	14.00[b]	16.22[c]	44.47***
		%		R^2
Wives' employment				
Employed	57.1	91.2	91.9	17.48***
Not employed	42.9	8.8	8.1	
Husband has financial management training				
Yes	17.1	14.7	10.8	.61
No	82.9	85.3	89.2	
Wife has financial management training				
Yes	20.0	14.7	18.9	.37
No	80.0	85.3	81.1	

***$p < .001$
Note: Means with different superscripts differ significantly at $p < .05$ using the Scheffé procedure.

was slightly over 14 years. The husbands were employed in many occupations, ranging from professionals to unskilled laborers. Of the wives who were employed, over one-third worked in sales or clerical jobs. About 11% of men and 8% of women also worked in a second job.

To test for differences in these demographic characteristics by income group, one-way analyses of variances were performed on the continuous variables and chi-square analyses were done on the categorical variables (Table 1). When statistically significant differences were found in the ANOVAs, Scheffé's post hoc comparison test was done to discern differences between specific groups. There were significant differences among the spouses in the three income groups on spouses' age and education and wives' employment. Low-income spouses were younger and less educated than their counterparts in the other income groups and a much lower proportion of wives in the low-income group were employed. There were no differences in the proportion of husbands and wives in the three income groups who had training in financial management. These differences in age, education, and employment status of

wives may confound the interpretation of any differences found between the three groups on cash flow management behavior and attitudes. Thus, when performing the substantive MANCOVA and ANCOVA analyses described later, these differences will be statistically controlled.

Measures

All of the measures were asked in a written questionnaire that was developed by the researchers, pretested with a group of 10 newlywed couples in summer, 1989, and refined for subsequent use. The independent variable in this study is the total family income of the couple from all sources, grouped into three levels of income. Families' gross money income was measured by a question asking the respondent to check a category of gross family income in 1989. An instruction was given to the family to report the amount on line 23 on their 1040 tax form. Sixteen categories ranging from $0 to $60,000 and over were available. Families whose income was under $20,000 were defined as low-income families, while two groups of families were formed from those whose incomes were $20,000-40,000 and over $40,000.

One of the dependent variables, family cash flow management behavior, was assessed by 20 items measuring the frequency with which families perform cash flow management tasks. To develop this measure, an inventory of prescriptions for families' cash flow management recommended by current textbook authors (Gitman and Joehnk, 1990; Garman and Forgue, 1991) was developed. The frequency with which these tasks were performed was assessed via a 5-point Likert-type scale ranging from all the time (coded 5) to never (coded 1). Table 2 shows the results of the principle components factor analysis with varimax rotation of the 20-item scale measuring family cash flow management behavior. An eigenvalue of 1.0 or greater was used to retain a factor and a factor loading of .40 or greater was the cut-off point for an item loading on a factor. Five factors emerged that cumulatively retained over two-thirds of the original variance in the 20 items.

The first factor contained six items focusing on the *record-keeping tasks* of cash flow management and retained 39% of the variance. A second factor, retaining 9% of the variability in the items, focused on items involving *monitoring income and spending*. The third factor included three heavily weighted items on estimating family income and fixed and flexible expenditures. Three other items loaded on this factor with lower loadings. This factor was named the *budget projection* subscale and retained 8% of the variability in the items. A fourth factor retained 7% of the variability and focused on assessment of the value of assets and liquid assets and short-term financial goals. This factor was named the *balance sheet assessment* tasks of cash flow management. A final factor focused on *budget balancing*, including two items about reestimating expenditures to bring the budget in line with income. Collectively the five factors retained about 68% of the original variability in the items. The item communalities show the proportion of the original variability in each item that was retained by the five factors; most of these were acceptably high. In further analyses, subscale scores were computed by averaging the items with factor loadings over .40 for each factor.

The couples' *attitudes toward financial planning* were measured via a 15-item Likert-type scale containing questions about the value of financial planning in general and regarding several specific aspects of financial planning (including debt management, insurance, savings and investment, retirement planning and estate planning). A five-point response set ranged from strongly agree to strongly disagree. Negatively worded items were reverse coded so that strong disagreement with a statement indicated attitudes supportive of the need for and value of planning. Principal components factor analysis was performed on these items and shown in Table 3.

The first factor included high loadings of seven items including the general value of planning for the future and planning for saving, investment, and retirement planning benefits. This factor was named attitudes toward *planning for the future*; it retained 23% of the variability in the items. A second factor included very high loadings on two items and a moderately high loading on a third item, all of which focused on attitudes toward *planning for success and getting ahead*, the name given this factor. Four items loaded above the cut-off point on the third factor; these focused on financial planning for minimizing taxes, avoiding debt, providing adequate health insurance, and effective spending. This factor was named attitudes toward *planning for present management* because of the relatively short-term focus of the included items. A fourth factor included a high loading on the item about attitudes toward *planning for life insurance*, which this factor was named, along with low loadings on two other items about debt and property insurance. A fifth factor focused on attitudes toward *estate planning* as a

valuable use of time and emotional energy. Together these five factors retained 61% of the original variability in the 15 items tapping couples financial behavior and each of the item communalities was acceptable, with the exception of the communality for the item about disability of a family wage earner.

The financial manager's *locus of control* was measured with a 12-item Likert-type scale that included items such as "When I make plans, I am almost certain that I can make them work," and "Sometimes I feel that I don't have enough control over the direction my life is taking." The response set available ranged from strongly agree to strongly disagree. Again, negatively worded items were reverse coded such that a high score indicated internal locus of control and a low score indicated external control. Principle components factor analysis was performed and again, five factors emerged that together retained 71% of the variance in the original items. Table 4 shows the results of this analysis. The first factor retained 25% of the variance and was labeled *control of life's direction* because of the focus on the four items that loaded highly on it: certainty that life would work out the way respondent wanted, control of respondent's life direction, and influence over things that happen to respondent. Three items loaded highly on the second factor that was labelled *control as planning efficacy*; the focus of the questions was on the effectiveness of having control over life events. A third factor included three items, two of which focused on *control of obtaining a job and getting ahead*, the name given to this factor. Two items loaded highly on a fourth factor, both of which focused on the *absence of luck in control* of one's life. A fifth factor was comprised of only one item that focused on the *role of skills* in affecting one's success. Each of the item communalities was very good, indicating that the factor analysis retained an acceptable proportion of the variance in the items.

The manager's *organizational style* was assessed with a 5-item scale including questions like "It does not bother me when something unexpected interrupts my daily routine," and "I don't like to undertake anything unless I have a good idea how it will turn out." A 5-point Likert-type response set ranged from strongly agree to strongly disagree. Coding of the items was arranged such that a high score indicated a flexible, adaptable management style, while a low score indicated a rigid, less flexible management style. Principle components factor analysis on the five items produced a two-factor solution that retained 67% of the original variability (Table 5). The first factor focused on the

role of predictable and unpredictable outcomes in one's organizational style (the degree to which one likes predictability and order in one's life), while the second factor was labelled *organizational style in daily routine* (feelings about something unexpected or people interrupting one's daily activity). Each of the communalities for the scale items was acceptably high.

Table 5
Factor Analysis of Organizational Style (n=106)

Item	Factor 1	Factor 2	Item
	Predictable	Daily routine	
Communality			
	outcomes	flexibility	
I don't like to undertake anything unless I have a good idea how it will turn out	.79		.63
I don't mind things being uncertain and unpredictable	.77		.59
I find that a well-ordered life with regular hours is most satisfying to me	.69		.51
It does not bother me when something unexpected interrupts my daily routine		.91	.83
I must admit that it makes me angry when people interfere with my daily activity		.87	.80
Proportion of variance retained	.42	.25	
Cumulative proportion retained	---	.67	

A final set of questions focused on the orientation toward time of the financial manager. The *time horizon* of the manager was assessed with three questions: "Are you the kind of person that plans his life ahead all the time or lives more from day to day?", "Do you think a lot about things that might happen in the future or usually just take things as they come?", and "Would you rather spend your money and enjoy life today or save more money for the future?" Each question had an 11-point sematic differential response set. Table 6 shows the results of the principle components factor analysis of these items. A two-factor solution was found; the two factors together retained 88% of the variance of the original items. The first factor was named *thinking about and planning for the future*, while the second factor was labelled *saving for the future*. The item communalities were very high for all

three items. Subsequent analyses used two variables based on this analysis to capture aspects of the respondents' time horizon.

Table 6
Factor Analysis of Time Horizon (n=106)

Item	Factor 1	Factor 2	Item
Communality	Thinking about the future	Saving for the future	
Do you think a lot about things that might happen in the future or usually just take things as they come?	.90		.83
Are you the kind of person that plans his life ahead all the time, or lives more from day to day?	.89		.82
Would you rather spend your money and enjoy life today or save more money for the future?		.99	.99
Proportion of variance retained	.54	.34	
Cumulative proportion retained	---	.88	

Data Analysis
Similarities and differences between low-income newlywed couples and middle-and upper-income couples will be analyzed via analysis of covariance and multivariate analysis of covariance. Because of the previously mentioned differences in the demographic characteristics of the couples in the three income groups, it is important to control for these variables before comparing the groups on behavior and attitudes. In order to do this, we entered wives' age and wives' education into each model as covariates. These variables were highly correlated with husbands' age and education and wives' employment status and thus, the latter variables were not included as covariates.

The independent variable in each analysis was income group: low, moderate or high-income. The dependent variables were the subscale scores calculated from the factor analyses results measuring cash flow management behavior and attitudes. Multivariate analyses of variance (MANOVA) were performed on each of the five groups of dependent variables: those

measuring cash flow management behavior, cash flow management attitudes, locus of control, organizational style, and time horizon. The Wilks' lambda and its associated F-value were used to test the null hypothesis of no differences among the three income groups on each of the five sets of dependent variables examined collectively. Where the multivariate analysis of variance was statistically significant, follow-up analyses of covariance (ANCOVA) were performed, using wives' age and education as covariates. To discern the statistical significance of differences between specific groups of couples categorized on the basis of income, Scheffé's post hoc comparison was used to discern specific differences among all possible pairs of the three income groups.

Table 7
ANCOVA and MANCOVA results for cash flow management behavior

| | Income Groups | | | |
	<$20,000 Low (n=35)	$20,000-40,000 Medium (n=34)	>$40,000 High (n=37)	F-value
Keeping records	3.49[a]	3.27[a]	2.64[b]	5.83**
Monitoring income and spending	3.86[a]	3.66[a]	3.23[b]	3.33*
Projecting budget	3.97[a]	3.43[b]	3.13[b]	6.88**
Assessing balance sheet status	2.82	2.69	2.49	0.57
Balancing budget	3.73[a]	3.39[a]	2.81[b]	6.50**

Wilks' lambda = .765   F = 2.85**

*p < .05
**p < .01
Note: Means with different superscripts differ significantly at p < .05 using the Scheffé procedure.

Results

Table 7 shows the results of the analyses of covariance and the MANCOVA for couples' cash flow management behavior across income groups. The MANCOVA, examining differences among the three groups on all of the dimensions of cash flow management behavior, showed that there were

overall differences ($p < .01$) among the three income groups. The follow-up analyses of covariance revealed that on four of the five dimensions of cash flow management behavior (except assessing balance sheet status), there were differences among the groups. Regarding frequency of record-keeping, the low- and moderate-income couples were significantly different than the high-income couples. Low- and moderate-income couples kept financial records more frequently than did couples with incomes over $40,000. But, on each of the other three significant dimensions of cash flow management behavior, low-income couples performed the tasks more frequently than at least one of the other groups. Low-income couples monitored their income and spending and balanced their budget more frequently than high- income couples, but on these dimensions the low-income couples were no different than middle-income couples. Low-income couples projected their budget more frequently than both moderate- and high-income couples.

Differences in attitudes, locus of control, organizational style and time horizon were examined among the three income groups. Table 8 shows the results of the analyses of covariance and the MANCOVA for these dimensions of couples' cash flow management across income. The MANCOVA results for the dimensions of attitudes toward financial planning showed that there were statistically significant differences ($p < .01$) among the three income groups. There were two dimensions which the ANCOVAs revealed as the source of these differences. There were significant differences between the low-income couples and at least one other group on "attitudes toward planning for success and getting ahead" and "attitudes toward planning for present management." Low-income couples were more supportive of the need for planning for getting ahead in life than both moderate- and upper-income groups. Couples with low-incomes were more supportive of the value of planning for present management as compared to high-income couples, although there were no differences on this dimension between low- and middle-income couples.

When all of the dimensions of locus of control were examined collectively in a MANCOVA, there were significant differences ($p < .001$) among the three income groups. Follow-up ANCOVAs revealed that the dimensions on which the groups differed were the managers' views about "the absence of luck in life" and "the role of skills in success." The only dimensions that differed between low-income couples and another group, however, was the dimension of the role of skills in success. The low-income managers more strongly agreed with that idea (that skills heavily contribute to getting ahead in life) than did moderate-income managers, although there were no differences between low-income and high-income couples on these

dimensions. While there were differences between the groups revealed by the ANCOVA on the role of luck, low-income couples were no different than the other two income groups here. The difference that did exist on this dimension of luck was between moderate-income couples and high-income couples with the moderate-income couples believing more that luck does not play a role in success.

Table 8
ANCOVA and MANCOVA results for cash flow management attitudes

	Income Groups		
	<$20,000	$20,000-40,000	>$40,000
	Low	Medium	High
	(n=35)	(n=34)	(n=37)	F-value

Attitudes toward planning

Planning for future	4.18	4.26	4.15	0.43
Planning for success and getting ahead	4.67[a]	4.25[b]	4.16[b]	5.97**
Planning for present management	4.42[a]	4.19[ab]	3.99[b]	3.19*
Planning for life insurance	4.38	4.38	4.19	0.88
Estate planning	4.39	4.50	4.18	2.11

Wilks' lambda = .797   F = 2.38**

Locus of control

Control of life's direction	3.30	3.36	3.58	0.78
Control as planning efficacy	3.60	3.55	3.49	0.11
Control of job and getting ahead	3.14	3.32	3.09	0.94
Absence of luck in life	3.37[ab]	3.59[a]	3.09[b]	3.08*
Role of skills in success	4.33[a]	3.83[b]	3.95[ab]	4.21*

Wilks' lambda = .691   F=4.01***

Organizational Style

Predictable outcomes	2.52	2.51	2.75	0.81
Daily routine flexibility	2.64	3.07	3.27	2.62

Wilks' lambda = .899   F = 2.79

Time Horizon

Thinking about the future	6.95	7.34	6.71	0.61
Saving for the future	7.35	7.40	7.92	0.52

Wilks' lambda = .996   F=1.01

*   p < .05
** p < .01
Note: Means with different superscripts differ significantly at p < .05 using the Scheffé procedure.

On the other two groups of variables, the financial managers' organizational style and time horizon, the MANCOVAs revealed no significant differences among the three groups of couples of various income levels. Low-income couples were neither more flexible nor less flexible in their organizational style than the other couples. Contrary to popular myth, low-income couples had similar time horizons as their high-income counterparts.

Discussion and Summary

Should low-income couples be viewed differently when trying to understand their patterns of financial management or when planning programs to help them improve their financial management knowledge and skills? We found

evidence of differences on some dimensions of behavior and attitudes toward cash flow management between low-income couples and their moderate- and upper-income counterparts. Low-income couples were different than moderate-income couples on three aspects of cash flow management: (a) projecting their budget, (b) attitudes toward planning for success, and (c) their perception of the role of skills in success in life. On each of these dimensions, low-income couples scored higher than moderate-income couples. Compared to moderate-income couples, low-income couples more frequently projected a budget, were more supportive of the idea that planning and thinking about success in the future is essential, and believed more strongly that "people will get ahead in life if they have the skills and do a good job."

As compared to high-income couples, couples with incomes under $20,000 were different on seven dimensions. Low-income couples more frequently engaged in record-keeping of financial transactions, monitoring their income and spending, projecting a budget, and balancing their budget, as compared to high-income couples. Regarding attitudes about planning, low-income couples were more supportive of the value of planning for success and the need for planning for present management than were high-income couples. Additionally, low-income couples believed more strongly in the role of skills in success as compared to their high-income counterparts.

In sum, where differences were found between low-income and higher-income couples, the differences were "positive" in the sense that they showed that low-income couples have the attitudes and practice the behavior that is recommended as effective cash flow management. Rather than being more externally controlled, or more cavalier about planning for the future, or less conscientious about cash flow management tasks (all stereotypes about low-income individuals), low-income couples in this study were found to be more "effective" on all these dimensions than their middle- and upper-income counterparts.

Why do lower-income couples spend more time in cash flow management? These findings may be related to the fact that the opportunity cost of time is lower for low-income persons than higher-income persons. If this is true, it is logical that low-income persons, as compared to their higher-income counterparts, would spend more time engaging in cash flow management activities because their time is less valuable to them. It is also possible that because the lower-income couples had a much lower proportion of employed wives (perhaps reflecting their lower opportunity costs) they have more time available for cash flow management. The low-income couples in this study must perceive a benefit to engaging in cash flow management activities and

this benefit must outweigh the costs of the time involved. Higher-income couples may also be able to afford market substitutes for their own time in cash flow management, although this is less likely for the types of tasks analyzed here than it would be for more complex financial management tasks such as insurance, investment, or retirement planning. Additionally, high-income couples may be able to afford *not* to engage in cash flow management, while lower-income persons cannot. If higher-income couples make "mistakes" (e.g., bounce checks, overspend in a given period, overextend credit, etc.) as a result of not engaging in effective cash flow management, they are more likely than lower-income persons to be able to recover easily from these mistakes.

These findings about low-income newlywed couples may not be generalizable to all low-income persons or households. These low-income couples are predominately young and their low-income status may be temporary; their financial status may change in the future as the earnings potential of the spouses, and the labor force participation of the women, increases over their life course. Additionally, even though these low-income couples currently have low incomes, they may have grown up in households that were not low-income and have learned their attitudes and behaviors about cash flow management in a family with parents of various income levels. Also, these low-income couples are not single-parent low-income families, a group whose proportion of the low-income population has increased in recent years; the cash flow management of single-parent low-income household heads may well be different than these low-income couples.

This research shows that low-income newlyweds do place some value on cash flow management activities. Thus, program planners and financial management practitioners need not motivate low-income couples to any extra degree; in fact, they may find low-income couples more motivated, more receptive, and more likely to participate in programs that focus on cash flow management than their higher-income counterparts. Low-income couples may be more receptive to the planning and management principles embedded within those programs because of their attitudes about the value of planning. The problem is not their lack of willingness to engage in cash flow management activities; it is likely that lower- income persons can be reached effectively with this type of information. The challenge for program planners and practitioners is to find ways to build on the existing positive attitudes and practices of low-income couples toward cash flow management. Program planners and practitioners should not only focus on teaching low-income persons effective cash flow management techniques, but on helping them find ways to increase their income as well.

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