INDIVIDUAL, INSTITUTIONAL, AND STRUCTURAL DETERMINANTS OF HOUSEHOLD SAVINGS DECISIONS


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ABSTRACT

Policy-makers and practitioners have recently focused on matched-savings account programs as a way to build assets and financial capacity among low-income households. This article examines the experiences of low-income participants in $ave NYC, a matched-savings account program designed to capitalize on the tax refund. The research examines how individual, institutional, and structural determinants impact the decision-making processes that guide participants’ savings behavior. Results show that individual factors such as obligation to family, upbringing, and employment experiences affect participants’ attitudes toward savings and their confidence in their ability to save. Institutional factors such as incentives, disincentives, and organizational culture shape participants’ trust in financial institutions and their attitudes towards participating in savings programs. Finally, structural factors such as employment loss, financial strain, and the economy, impact participants’ perceived financial control, and ultimately their savings behavior.
INTRODUCTION

There is a long-standing and persistent inequality in the distribution of assets in the United States. At the close of the recession in 2009, approximately one in four households had zero or negative net assets, up from 18.6% in 2007 (Economic Policy Institute, 2011). Asset poverty has a number of detrimental outcomes for individuals including financial instability and lack of opportunities for investment (Cramer et al. 2009). But it is of greater consequence to the nation’s economic well being, as asset poverty limits a household’s ability to provide for future generations.

To build assets among low-income households, policy-makers and practitioners have recently focused on matched-savings account programs – programs that supplement the amount a participant saves once he or she reaches a specified target. While there is an extensive body of research on the individual, institutional, and structural determinants of savings behavior among low-income households, there remains a need to explore how these factors influence the decision-making processes of these households (Beverly & Sherraden, 1999; Sherraden & Schreiner, 2003).

To fulfill this research need, there are two aims of this study: to examine the experiences of low-income participants in a matched-savings account program, and to gain a greater understanding of the individual motivations, institutional mechanisms, and structural determinants, that guide savings decisions among low-income households. The research design is a qualitative study drawing on 48 in-depth, semi-structured interviews with $ave NYC participants.

LITERATURE REVIEW

The State of Asset Poverty in the United States

Researchers have defined asset poverty as not having enough resources to live at the federal poverty line for three months without additional income (CFED, 2010). According to the
Survey of Income Program Participation (SIPP), a national study of 14,000 individuals, researchers found that 22.5% of families in the U.S were considered asset poor in 2006 (CFED, 2010). For households with children, the rate is slightly higher at 25% (CFED, 2010). For households of color, the rates are substantially higher: 39% of Latino households and 49% of African American households with children are considered asset poor (CFED, 2010).

There are several institutional barriers that inhibit asset building among low-income families. For example, low-income families are not eligible for most asset-based institutional supports such as employer-sponsored savings programs, the home mortgage interest deduction, and tax breaks for retirement accounts (Ratcliffe et al. 2010). Similarly, there is an asset limit placed on all major public assistance programs including Temporary Assistance for Needy Families (TANF), Supplemental Nutrition Assistance Program (SNAP), Medicaid, and Supplemental Security Income (SSI) (Cramer et al. 2009). For families seeking public assistance, there is an incentive to spend down their existing savings or liquidate their assets to meet the required asset limits (Cramer et al. 2009).

The Importance of Assets for Low-Income Families

Assets play an important role for low-income families in reducing the likelihood of experiencing financial hardship (McKernan, Ratcliffe, and Vinopal, 2009). Using SIPP data, researchers found that having liquid assets above the level of asset poverty significantly reduces the risk of experiencing adverse events such as eviction, missed utility payments, and food insecurity (McKernan, Ratcliffe, and Vinopal, 2009). Being able to withstand financial hardship is of particular importance for low-income households, who have the highest likelihood of experiencing income declines due to disruptions in employment such as reduced hours, seasonal work, and layoffs (Acs et al. 2009). Assets are also important for economic mobility by providing families with the means necessary to purchase future investments, such as a home or an education, which contribute to long-term financial stability (Cramer et al. 2010).
The holding of assets is also theorized to offer a number of social benefits such as improved self-esteem, confidence in the future, and increased use of long-term financial planning strategies, such as goal setting (Sherraden, 1991; Oliver and Shapiro, 1995). Researchers have also empirically demonstrated that asset holding among low-income households has a positive impact on variables such as confidence in the future, economic security, stress level, and children’s well-being (Beverly and Sherraden, 1999). For example, using data from the Panel Study of Income Dynamics (PSID), a longitudinal study of 5,000 families, researchers were able to empirically test the relationship between asset holding and social outcomes among low-income households (Yadama and Sherraden, 1996). Researchers found that the amount of savings an individual possesses is positively associated with confidence in the future, long-term financial planning, and a sense of connectedness to family members and neighbors.

Asset Building Programs for Low-Income Households

Recognizing the importance of assets for the reduction of poverty, researchers have called for policies that promote asset building among low-income families such as matched-savings account programs (Sherraden, 1991; Oliver and Shapiro, 1995). The American Dream Demonstration (ADD) was the first large-scale project to examine the impact of Individual Development Accounts (IDAs), a type of matched-savings account, on asset accumulation among low-income households (Schreiner et al., 2005). The resulting studies found that participants averaged a higher savings balance than non-participants and were able to use their savings to make investments such as homeownership, higher education, and small business development (Schreiner et al., 2005). Matched-savings account programs, however, have demonstrated mixed success on long-term savings behavior among low-income households (Beverly et al., 2008; Schreiner et al., 2005).

Researchers have drawn from a number of theories to understand the relationship between program arrangements, savings behavior, and individual-level factors to develop a
framework for understanding low-income households’ savings behavior (Beverly et al. 2008; Beverly and Sherraden, 2001; Curley, Ssewamala, and Sherraden, 2009). Traditional neo-classical economic theories explain savings behavior in terms of income relative to consumption – people save when their income exceeds their consumption (Friedman, 1957). While traditional neo-classical economic theory has proven effective in explaining savings behavior, researchers have challenged many of the theory’s assumptions in regards to explaining savings behavior of low-income households (Bernheim, 1994; Beverly and Sherraden, 1999). For example, low-income households can experience fluctuations in income and cannot predict future income or consumption patterns (Bernheim, 1994). Furthermore, many low-income households may never have an earned income that substantially exceeds their consumption needs (Beverly and Sherraden, 1999).

To better understand the savings behaviors of low-income households, researchers have examined how individual attributes impact performance in structured savings programs. Using data from the ADD (n=2,364), researchers found that having a prior savings account and being married increased an individual’s savings rate (Curley, Ssewamala, and Sherraden, 2009). In a similar study of an IDA program in the Midwest, researchers found that past savings behavior, ability to cope with financial strain, and having children positively impacted participation rates among low-income households (Loibl et al. 2010).

In addition to individual-level determinants, researchers have examined the behavioral determinants of savings, or how cognitive and emotional factors that impact savings decisions (Shefrin and Thaler, 1988). For example, researchers have maintained that individuals often have difficulty controlling their spending due to factors such as temptation (Shefrin and Thaler, 1988). Researchers have argued that restraining an individual’s choices can help individuals gain control over or limit their spending habits (Shefrin and Thaler, 1988). Applied to matched-savings account programs, behavioral economic theory has been used to explain how creating rules for savings can help facilitate savings. For example, account restrictions such as a
limitation or how often a participant can access his or her savings account have proven effective in increasing enrollment in matched-savings accounts among low-income households (Moore et al. 2001; Sherraden et al. 2005).

While individual and behavioral determinants play an important role in savings behavior, financial institutions play a key role in structuring access to savings programs for low-income households (Sherraden, 1991). Institutional theory maintains that an individual’s asset accumulation is dependent upon the access, information, expectations, and incentives, afforded by institutions (Sherraden, 1991). Increasing access to financial institutions, such as making it easier to open an account, or reducing the fees associated with maintaining an account, are particularly important for low-income account holders who may be unable to meet minimum balance requirements. Similarly, savings programs that provide facilitation, or simplify the savings process, such as automatic enrollment and direct deposit, are hypothesized to increase savings rates.

Institutional theory also maintains that the more information individuals have on savings options the more likely they are to save. Studies have demonstrated, for example, that employees who are provided with financial education have higher participation levels in pension plans (Bernheim and Garret, 1996). Institutional arrangements that offer incentives for savings, such as matched-savings accounts, are also thought to increase individuals’ motivation for savings. Evidence has shown, for example, incentives such as the existence of a match increase savings account openings among low-income households (Beverly et al. 2008). Institutional theory also states that the expectations communicated by savings programs, such as goals and targets, impact savings behavior. For example, research has demonstrated that participants in matched-savings account programs often see the match cap as a goal for savings, which increases their motivation to save (Sherraden et al. 2005).
While institutional theory has proven effective in explaining the savings behavior of low-income households, there remains a need to better understand how individual, institutional, and structural factors affect the decision-making processes that guide the savings behavior of low-income households (Wheeler-Brooks and Scanlon, 2009). To fulfill this research need, this study examines the experiences of participants in $ave NYC, a matched-savings account program. We analyze data collected through 48 semi-structured interviews with participants to explore how participants make decisions regarding savings in the context of their daily lives and the relationships between individual, institutional, and structural factors that guide participants’ savings behavior.

DATA AND METHODS

$ave NYC

In 2009, the New York City (NYC) Department of Consumer Affairs offered a program called $ave NYC, a matched-savings account program for low-income families who qualified for free-tax preparation. Participants were enrolled through several Volunteer Income Tax Assistance (VITA) sites throughout NYC, where they could deposit a portion of their tax refund into a savings account. Any taxpayer who was eligible for VITA assistance and who received a refund was also eligible to sign up for $aveNYC. Participants who saved a portion of their tax refund for one year without making any withdrawals received a 50% match on their original contribution. While the account had no limit on maximum contribution, the maximum match amount a participant could receive was $250 in 2009. The minimum initial deposit was $100. In the 2009 tax season, 12 VITA sites opened a total of 1,056 accounts within the first eight weeks of implementation, depositing over $383,000 in savings and earning potential matches of nearly $187,000.

Participant Recruitment
This study used in-depth interview data collected from 48 people who participated in $aveNYC in 2009. At the time that people signed up for the program, they were asked if they would be willing to be contacted later for a survey about their participation. Of the 879 participants who agreed to be contacted, we were able to complete telephone interviews with 289 people in the fall of 2010. Only 51 people refused to participate; the majority of people we did not survey were people we could not locate because their contact information had changed. In December of 2011, we did a follow-up survey with 189 of the participants who had completed the 2010 telephone survey.

Based on these surveys, we determined that family structure had a significant impact on the degree to which people felt they were able to successfully save and the reasons they wanted to save. For example, single parents tended to be highly motivated to save for their children, yet had the fewest resources to do so. Couples nearing retirement age were also highly motivated to save, but for different reasons, and had a different set of resources available to them. We therefore recruited interview participants from the following three categories: single parents, single people without children, and people who were married or cohabiting, to capture a diverse set of experiences. All interviews were conducted between April 1 and April 6, 2011. Six of the interviews were done in Spanish. Participants who completed the interview were offered an incentive of $150 plus $20 for travel expenses and $40 for childcare. To preserve the anonymity of participants, each participant was assigned a pseudonym.

The interviews were conducted with a structured interview guide that covered participants’ family history, financial history, financial management, and experiences with the Save NYC program. The interviews begin by learning about participants’ family history including their financial situation growing up and their early childhood experiences with savings and money management. The interview then covered their current financial situation including key experiences such as debt, illness, and employment. Interviewees were then asked about their financial management strategies such as paying bills, and managing savings. The interview
concluded by asking participants about their experiences with the $ave NYC program such as the factors that contributed to or reduced their likelihood for saving with the program. The interviews were approximately an hour in length.

$ave NYC Interview Participants

The interview participants were mostly African American and Hispanic women (Appendix 1). Participants covered a wide range of ages – 5 were 25 or under, 29 were between 26 and 50, 6 were 51 to 60, and 8 were over 60 years old. Half the participants lived in Manhattan while the rest of the sample was composed of residents from Brooklyn, the Bronx, Queens, and one person in New Jersey. One striking feature was that most of the participants had fairly fluid family situations. Although we recruited married or cohabiting participants based on the survey data, 44 of the 48 were unmarried by the time of the interviews. Of those who said they were married or partnered, most did not live with their partner or reported that the relationship was unstable. While 22 reported having no minor children in the home, many of these participants were financially supporting their grown children or extended kin.

Data Analysis

We began the data analysis by reading the interview transcripts for recurring themes and developing memos on patterns to arrive at categories within and across participants (Ulin, Robinson, and Tolley, 2005). After developing a framework for categories of participants, we developed a codebook consisting of topical codes based on the themes outlined in the interview guide and the initial analysis of the data. The Atlas.ti software package was used to code transcripts. After reviewing the code reports, several iterations of the codebook were reviewed to arrive at five interpretive codes: the role of family, the role of upbringing, past experiences with financial institutions, institutional trust, and income stability. We concluded the analysis by creating several matrices to develop a schema of cases and searching for negative instances, or
counter-cases, to expand participant categories and achieve a more holistic portrayal of participants’ lived experiences (Miles and Huberman, 1994).

RESULTS

Individual-Level Factors

We first analyzed the role of individual-level determinants in guiding savings decisions among participants. We found three main themes that emerged at the individual level: the alignment between an individuals’ obligation to family and their savings goals, upbringing and its impact on participants’ identity as a saver or non-saver, and employment and volunteer experiences and their impact on developing strategies for and participants’ confidence in savings decisions. Each of these attributes affected participants’ attitudes toward savings, and their confidence in their ability to save.

Alignment of Family and Community Obligations with Savings Goals

Participants described prioritizing their spending and saving behavior in terms of their obligation to their families and communities. They made decisions about saving versus spending for reasons such as meeting their children’s needs, providing their children with a safe environment, saving up for their children’s education, and being able to help family and community members in need. When asked what motivated them to save, participants with children described the important role that their children played in shaping their choices. Participants discussed undergoing a process of growth after having children when they began to prioritize their savings and spending to provide for their families and to serve as a role model for their children. Kristi, a single mother with two children, described how her financial management changed after having children, “I think having a child made me think more in the savings way, that I absolutely need to. My son was really the catalyst for me to start thinking more like an adult. Thinking about money and making sure, because with a baby, it's very simple. You can't say, I can't buy you formula today.”
Eva described a similar growing experience, where saving became more important to her after having her daughter, “When I didn’t have her, it didn’t matter to me when I saved that much. I would just spend it and depend on the next paycheck or credit card. Now, I’m more cautious and now I can’t get all the things I would get if I didn’t have her. I have to put her needs first.” She also described being motivated to save money because of her new position as a role model. She explains, “Since she depends on me to take care of her and she looks up to me, I’ve got to be sure every move I make is the right move for her.”

For some participants, their motivation to save was driven by a desire to provide a better environment for their children. Rosalia, a mother of three children who lives in a one-room basement with all of her children, explained that she is motivated to save “because I don’t want them to live like this. I want a space for my children.” Chandra, a single-mom with two children who lives in public housing and hopes to move to better housing, described a similar goal, “I’m trying to save money so I can get out of this way of living and not pass it down to my children.”

Some participants described weighing the decision to save against wanting to ensure their children’s wants were met. Orlando, a father of five, explained, “As a father, sometimes you feel joy in buying your children certain things. That is why I say that I am not the type of person who just likes to save. I think that my children should enjoy things.” Sharlene, a mother of four, described a similar feeling, “Being that they were young, I thought it was important for them to be able to do things and to see things, we traveled some. Not far and nothing extravagant, but I thought it was always important for them to get out of the city and go someplace. Saving seemed less important.”

Participants also discussed balancing their decision to save against their sense of obligation to help members of their community. Javier, for example, described how his desire to help a friend impacted his ability to save. He explained that he recently withdrew from his
savings because, “One of my good friends in the church just lost a job after ten years. I know he’s struggling. I know he needs something. If I got it why save it? My biggest thing is, I want to put it away but there’s such a need out there.” Similarly, Orlando sends money to his sisters and mother each week and recently withdrew from his savings to help his mother buy a home. He explained that it was more important to help his family than to reserve the money in savings, “I withdrew the money to treat myself, to give my mother money for her home, which was more important than to save it.”

From the interviews, a sense of obligation to family and community, and how savings aligned with that obligation, emerged as an important factor in individual’s saving behavior. For this group of participants, the alignment of family and community needs with savings goals influenced participants’ attitudes toward savings, which impacted their savings behavior. Participants who viewed savings as a mechanism for supporting their families and communities described the importance of savings, which facilitated their savings behavior. Participants, who saw savings as a barrier to providing for their families’ and communities’ needs, attributed less importance to savings, which served as a barrier to their savings behavior.

*Upbringing and the Development of an Identity as a Saver or a Non-Saver*

Several participants described how saving or not saving was a part of their identity and deeply rooted in their early life experiences. For these people, being “a saver” or “a spender” was part of their history. Many of them described a series of events during their childhood that affected whether they identified themselves as a saver or a non-saver later in life. Saving was, for them, more about the kind of person one was than about circumstances or motivations, which greatly affected their attitudes towards savings, their belief in their ability to save, and ultimately their savings behavior.
When asked about their upbringing, some participants felt that forming saving habits at an early age helped them to develop the ability to save as adults. Dora, who started saving money when she was young, described “When my parents gave money for my lunch, I saved the coins, I bought a piggy bank, and on every Christmas I used to open that piggy bank. So, savings is a habit that I’ve always had.” Similarly, Chandra described, “My mom was a saver, and so that’s kinda just instilled that in me. I watched how well she managed money. She taught me to save so I’ve always been a good saver.”

Other participants believed that a lack of communication with their family about money prevented them from forming the habit to save as an adult. Phyllis, for example, described “Money was something that kids didn’t know about. Even when you worked, you didn’t get paid the money. Your parents got paid the money. As a child I didn’t really know much about money, spending money or handling money. I think that’s why I never really formed the habit of saving.” Lakeisha described a similar experience, “It [money] was never discussed. I think I didn’t learn how to manage money until I got older. I was never told to save my money. It was difficult to start and I never really got the hang of it.”

Other participants described developing an identity as a non-saver because their family’s frugality led them to feel deprived in their early childhood. For these participants, they described seeing savings in opposition to enjoying their life. Pearl explained:

My mom was very strict. She always makes sure that the rent was paid so nothing else could be done. When I say that, she would always say, oh no, no, we can’t go to the picnic because I paid the rent this week. We can’t do this because I paid the lights. So it seemed like these bills that she kept paying, we just couldn’t do anything else….I tend to make sure the bills are paid, and then you know what? I’m going to do this. Yes, I tend to take time out for the kids to do this, to do that. I can’t see myself not having any fun, not
taking the time because I remember that, just because it was terrible to stay in the house and not do anything. I don’t want to do that to my kids.

Diega describes feeling the same way as a child, “My mom was always saving money and buying cheaper stuff and all that. She always tells me to do the same; trying to save money and doing nothing else, just the job and going home, nothing else, I found that it was no fun at all and you just don’t live life.” She explained that now, “I feel happy that I can spend some money on myself. Even if I have a lot of stuff, I still buy some more if I like something.”

For many participants, the role of upbringing impacted whether participants identified as a saver or non-saver, which affected their attitude towards saving and their confidence in the ability to save. Participants describe having early childhood experiences with money management and growing up in families where savings was part of their values, which improved their attitudes towards savings, increased their confidence in their savings abilities, and allowed them so successfully save as adults. On the other hand, participants who did not discuss money or savings with their families still held a positive attitude toward savings but lacked confidence in their abilities to save. Other participants describe developing negative attitudes towards savings because of their parents’ frugality, which negatively impacted their savings behavior. Among these participants, attitude towards savings and confidence in ability to save proved to be important factors in influencing savings behavior.

Employment Experiences and Developing Confidence in the Ability to Save

In addition to upbringing, participants’ employment and volunteer experiences provided them with opportunities to engage in observational learning, or observing the behaviors of others to develop a new skill set. By observing the savings behaviors of others, participants described developing an arsenal of strategies, such as goal setting, and splitting their money between several accounts to pay for their expenses. Participants also described how observing the behaviors of others changed their outcome expectations for savings, or how much they valued
savings behavior and what they expected to gain from it. Participants then described how learning strategies for savings and increasing their outcome expectations for savings by observing the behaviors of others helped participants to develop confidence in their ability to save.

Some participants discussed learning about savings from working in jobs where they handled money. Chandra, for example, described that working in a bank helped her to observe other people’s savings behavior that, in turn, changed what she expected from herself when it came to saving. She explained, “you would get to see the passbooks of people and you would actually get to see how, by making regular small contributions, they would amass a lot. You see that it doesn’t take a lot of sacrifice over time, so I started doing that.” Evelyn described a similar experience; “I was a Benefit Coordinator at my last job. Had I not been there and having to keep up with benefits, I wouldn’t have known. It made me start thinking about retirement and putting something away.”

Participants also described how their work experiences helped them to develop useful strategies for saving. Serena explained,

I worked with developmentally disabled adults. One of the things that I had to do was help them budget. They didn’t have a lot. It might have been twenty-five dollars a week but one of the ways that we helped them budget was putting everything in a separate envelope. There was no account. They would have an envelope for carfare, an envelope for this. I saw how much it helped them. When I started to make my own money, that’s when I started putting things in separate accounts. That’s where I got that idea from. This has worked for me and so that’s how I continue to do it.

From the transcripts, a third category of participants emerged who discussed learning savings behavior by observing the savings behavior of others. By observing the behavior of others, these participants learned strategies for savings, such as goal setting and partitioning their money between different accounts. This process of observational learning also helped participants
to increase their outcome expectations for savings—they begin to see the value in savings, which
influenced what they expected to get out of saving. These experiences led participants to develop
confidence in their ability to save. Overall, participants discussed several individual-level factors,
such as obligation to family, upbringing, and opportunities for observational learning, which
impacted their attitudes towards savings and their confidence in the ability to save. These
individual-level factors affected participants’ savings behavior.

Institutional Factors Related to Savings Behavior

In addition to individual-level factors, participants described a series of institutional
factors including incentives, disincentives, and organizational culture that either facilitated or
reduced their savings behavior. Participants described how programmatic features played a key
role in building trust with financial institutions, which determined whether they saved through a
bank or credit union as opposed to an informal or off-the-books channel.

The Role of Disincentives in Eroding Trust in Financial Institutions

Participants described a series of institutional factors that led to a distrust of financial
institutions. Many participants discussed being skeptical of financial institutions due to past
negative experiences with unanticipated fees, overdraft charges, and minimum balance
requirements. Eva described, “I’ve tried opening up bank accounts and putting money in
checking, but ended up with overdraft fees.” Similarly, Kevin describes being charged with fees
for overdraft charges, ATM use, and violation of minimum balance requirements, and he
ultimately felt that he was “losing more money than he was making.” Similarly, Lakeisha
described that her past experiences with banks led her to “being skeptical” and concerned that the
$ave NYC account was “a scam.” For some participants, such as Kevin and Lakeisha, the lack of
trust in financial institutions prevented them from being able to save with the $ave NYC account.
For example, Lakeisha describes, “I ended up taking the money out. I felt better with it at home.”
For other participants, such as Eva, the incentives offered through $ave NYC, helped her to develop trust in financial institutions.

*The Role of Incentives in Building Trust in Financial Institutions*

Although negative experiences with financial institutions seemed commonplace among participants, some participants describe developing trust in the $ave NYC program because of the incentives offered by the program including low minimum balance requirements, no fees, and a high match rate. For example, Eva, whose negative experiences are described above, discusses changing her mind about opening a savings account because “unlike most banks there was no risk involved.” Similarly, Chandra explained:

> Prior to getting into this program [$ave NYC], I did have a savings account. It was at [Bank Name] and I will put the money in there. You have to maintain a certain amount of money... I think it has to be well over a thousand dollars or thousand or better before they not charge you a fee. I thought that was totally wrong. But with this program there is no fee. So I enrolled.

Throughout the interviews, participants also described discontentment with current interest rates offered through their regular banks served as a motivator for enrolling in $ave NYC. Elena, for example, commented, “I knew at the time how bad the interest rates among banks were. To me, a 50% return, I knew where in the world would you find that.” Serena felt similarly, “Even if you put your money in a CD, you’re never going to get that kind of return, especially the way CDs are now.” Susanna had a similar motivation for opening an account “I consider myself an opportunist in that when I heard [about the program], I said, what, fifty cents on every dollar. If you have a regular account in the bank, there is no way you are going to get that interest.”

In conclusion, the incentives and disincentives offered through financial institutions played a key role in eliciting or eroding participants’ trust in financial institutions. For some participants, past negative experiences with banks, due to disincentives such as fees and
minimum balance requirements, led participants to distrust financial institutions and resulted in participants withdrawing from the $ave NYC account. For other participants, the incentives offered through $ave NYC, weighted against the trustworthiness and incentives offered by other financial institutions, helped build trust among participants, which led them to save through the matched-savings account.

The Role of Organizational Culture in Building Trust in Financial Institutions

Participants also described how components of the organizational mission of the $aveNYC program helped build their trust. Many participants felt that the program was trying to do something for the community. For example, Javier described enrolling in $ave NYC because of the partnership with credit unions, “I love credit unions because of what they represent in the community.” Similarly, Lynda recalled liking the program’s mission “because it starts something good in general for society.” Mei-Li also described enrolling because of the trust that was elicited, “the government would usually want people to spend, spend, spend. It’s interesting that someone comes in like, hey, save this money, I’ll give you fifty dollars as reward. That is new and interesting. You feel like, in a sense, that someone cares for your well-being.”

Participants also described trusting the program because of the kindness and respect maintained in the organizational culture of the participating financial institutions. Evelyn, for example, described, “People are nice enough to do this and they were good to me so I continued saving with them.” Eva explained “I trusted her because she was the only one that does my taxes. Me and my sisters all go to her. She was a good person and she really convinced me.” Similarly, Manual described enrolling because he was well-treated “They’re very cordial, very nice people. I’m flattered because they treat me like a gentleman.”

In addition to financial incentives, organizational culture emerged as an important institutional factor that contributed to savings behavior. Participants discussed how the program’s
mission of helping the community and the organizational culture of respect and kindness among participating financial institutions helped establish trust, and led them to save through the $ave NYC program.

Structural Factors Related to Savings

Participants described a series of structural factors that served mostly as barriers to savings behavior such as loss of employment, financial strain, and the economy. Many participants, for example, describe experiences of unemployment, illness, and rises in cost of living, which undermined their confidence in the future, and affected their savings behavior. While nearly all participants were experiencing some level of financial hardship, the way participants responded to the hardship varied, which impacted their savings behavior. Some participants described gaining control over their situation by developing strategies that allowed them to put some money aside to help mitigate future financial hardship. Other participants discussed feeling completely out of control over their finances and unable to save due to their financial situation.

Perceptions of the Economy and Losing Hope in the Future

Participants described how the current economic climate, including the job market and the rise in the cost of living, led them to feel uncertain about the future. Regina, a recent-college graduate in her twenties, expressed: “I feel like in this economy, especially for a young adult, it’s really hard to be hopeful when, like a year ago, I applied to so many jobs and got so many offers. Now, a year later, there’s no jobs to even apply for which is not very hopeful.” Natalia, a full-time student and single parent, discussed how there were no jobs available: “I’ve been looking to transfer for better pay because the cost of living is so high. It’s horrible. There are no jobs. There really isn’t.” Similarly Briana, a teacher’s assistant, described the fear of losing her job and not being able to keep up with rising prices, “There’s not enough jobs and if you have a job, it’s hard
to keep up, they keep cutting things. Even with my own job I’m afraid to lose it and everything is expensive and it goes up and you’re not making enough to keep up with it. It is impossible for me to save anything” Overall, for many participants, their perceptions of the economy undermined their hope in the future, which eroded their sense of financial control.

*Unemployment and Loss of Independence*

In addition to affecting participants’ confidence in the future, participants described feeling a loss of independence due to their lack of employment. Tamra, a single mom with three children, who was laid off from her sales position at a department store, explained, “I love to work. I love to have my own money. Me being out of work this long is killing me inside”. Similarly, Isabella, who had to leave her position as a security officer due to a recent diagnosis of cancer expressed, “I don’t like to sit around and wait for all those federal checks to come in. I like being out there working. I like helping people. I like feeling useful.” Cecilia, who was also laid off from her position as a security guard, expressed that being unemployed changed her ability to provide for her children, “Now that I’m not working, it’s harder to get things I want and things for my children. It’s different from when I used to work, make my own money, and be able to do the extracurricular activities that I like to do with my children. It was very depressing at first.” For some participants, experiencing a loss in employment greatly impacted their confidence in their ability to manage their finances.

*Navigating Financial Hardship and Developing Perceived Control over Savings*

In response to the financial hardship many participants faced, some participants described saving to mitigate future financial distress. Serena, for example, who works as an assistant teacher during the school year, described saving up to cover the summer months “In the summer, when I’m not working and don’t get paid, I have to save money to be able to pay that.” Another participant described paying what she can on the bills and reserving some funds for an emergency, “When I can’t pay the bills I give a percentage and I put it on account. So if it’s
ninety dollars I give them sixty and put it on the next bill. As long as I can keep on paying they will never cut off my light. I always make sure I leave something extra for an emergency.”

Experiences of financial hardship, for other participants, led them to feel out of control of their finances, and unable to save for future hardships. Malea, who worked as a sales clerk in a children’s clothing store, explains, “I think the highest check I got from them for a week’s work was $125. I just couldn’t see, there is no way that I could improve, get an apartment, or build anything.” Similarly, Kristi, a single mother working as a graphic designer, described how the balance of her income and expenses made it difficult to save:

If your income just covers your bills, then it's hard to save. You want to pay your bills, so that they don't cut things off. It would be counter intuitive if you save three hundred dollars, but then your phone gets cut off because you didn't pay your bill. You want that three hundred dollars in there. I think it's the lack of money that really keeps me from saving.

Participants described a series of structural factors, such as the job market, the cost of living, and low wages that led them to experience financial strain. Experiences of financial strain, for some participants, led to decreased confidence in the future and a loss of control over their finances. These participants came to view savings as something that was impossible for them. Other participants, in response to their financial strain, described developing strategies to mitigate financial hardship, which increased their sense of control over their finances and allowed them to put money into savings.

DISCUSSION

In summary, this study provides insight into how individual, institutional, and structural factors impact the decision-making processes that influence low-income households’ savings behavior. Although individual-level factors such as obligation to family, upbringing, and employment experiences, impacted most participants’ savings decisions, the pathways greatly
varied among participants. The way in which individual-level factors impacted participants’ attitudes towards savings and their confidence in their savings ability determined participants’ decision to save. Similarly, institutional-level factors such as incentives and organizational culture impacted participants’ trust in financial institutions. The ability to gain trust in financial institutions determined whether participants’ saved through the $ave NYC account or withdraw their money. Finally, participants’ experiences of financial strain impacted their sense of control over their finances and impacted whether participants developed strategies to navigate financial hardship or felt a loss of control over their finances and felt like savings was impossible. As such, factors that made it easier for one group of people to save were seen by another group to be barriers to saving, which speaks to the need to craft savings tools that offer flexibility. By making explicit how savings behavior emerges from several decision-making processes guided by individual, institutional and structural factors, we can draw policy implications for the field of asset building as well as suggest directions for future research.

Promote Savings Accounts Geared toward Families and Communities

Consistent with previous studies, we find that the presence of children can serve as a powerful motivator for savings among low-income households (Loibl, Grinstein-Weiss, and Bird, 2010) while also making it more difficult to save. We know that families represent a unique unit of identity (Epp and Price, 2008), and participants weigh the outcomes of their financial decisions against the impact on their families. We similarly find that people also feel a sense of connection and obligation to their larger communities (Goodman, Speers, and McLeroy, 1998), and this also affects how they make financial decisions. Future research should explore the effectiveness of matched-savings account programs geared towards families and communities, not just individuals.

Some ideas have been proposed such as Children’s Savings Accounts (CSAs), where families can pool their resources to start saving for the children at an early age. Such programs
have shown promise in increasing savings rates among low-income families (Wheeler-Brooks and Scanlon, 2009). Researchers have also proposed rotating savings account where members of an extended family or community pool their savings and allow one member at a time to have access to the savings account in times of need (Lui, 2009). This is similar to the informal “savings circles”, which are common in unbanked immigrant communities. If this concept could be applied to an insured, depository-based savings program, it could integrate savings in to a larger community of people. Further research should examine how matched-savings account programs geared towards families and communities can help participants align their sense of obligation towards their family and community with their savings goals. This would help prevent participants from seeing savings goals in opposition to their family goals.

**Understanding the Role of Identity in Savings Behavior**

Parental influence and childhood experiences with money management have been suggested as potential determinants of savings behavior in adulthood (Webley and Nyhus, 2006). Findings from this study help further elucidate this influence and suggest that, for some individuals, savings behavior is perceived as a component of identity that is cultivated early on in life through childhood experiences of money management and family communication regarding money. Further research should address how individuals’ childhood experiences with money shape their identity such as their self-perception and confidence in their money management. Policies should also address how youth financial education and savings programs can build financial capability among low-income youth and their families (Johnson and Sherraden, 2007). Studies have demonstrated that low-income youth have less access to savings accounts than higher income youth (Greenwald and Associates, 2011) and often score lower on financial literacy scales (Jump$tart Coalition, 2010). Youth matched-savings account programs such as Saving for Entrepreneurship, Education and Down-payment (SEED), for example, have proven effective in expanding access to savings for low-income youth (Wheeler-Brooks and Scanlon,
Researchers could further examine how such programs affect youth’s financial capability, such as their confidence in their money management and skill sets such as planning ahead, making choices, and staying informed.

The Importance of Financial Education and Confidence in Money Management

Confidence in money management has proven to be an important predictor of savings behavior (Bettman, Luce, and Payne, 1998). Social behavioral research has demonstrated that individuals often develop confidence in a given skill set such as money management by learning strategies to assist them with the development of a new behavior and by observing others who are able to perform the behavior successfully (Bandura, 2004). Consistent with this line of research, participants discussed how observing the behavior of others, through employment and volunteer experiences, helped them to learn strategies for savings such as goal-setting, and splitting paychecks between several accounts, which increased their confidence in savings. Participants also described how observing the positive outcomes brought about by the savings behavior of others, caused them to develop positive expectations for their own saving behavior, which increased their value of savings. Future research should examine whether savings programs that include financial education and training could better address the needs of low-income families who might not have had any experiences with savings (Loibil, Grinstein-Weiss, and Bird, 2010). Similarly, research could examine the effectiveness of including peer or community advisors in financial education programs for low-income households to increase opportunities for observational learning.

Building Trust in Financial Institutions

Past studies have demonstrated that low-income and minority communities are less likely to trust mainstream financial institutions due to experiences of discrimination and lack of physical access to financial institutions, which impacts their savings behavior (Lui, 2009). This study has proven similar findings—as the majority of participants recalled negative experiences with financial institutions and a lack of trust towards banks. Further research should examine how
matched-savings account programs can restore trust in financial institutions among these communities by providing communities with incentives, and creating an organizational culture that values and respects these communities.

Developing Perceived Control over Finances

Research has indicated the individuals’ sense of control over their finances greatly influences their ability to save (Perry and Morris, 2005). Similarly, this study has demonstrated that participants’ varying experiences of financial hardship, such as illness, and employment loss, coupled with individual-level characteristics such as ability to cope with financial strain, contributed to or eroded participants’ sense of control over their finances. Maintaining a sense of control proved instrumental in participants’ ability to navigate financial strain. Research on matched-savings account programs should address how participants’ experiencing high levels of financial strain may need additional support programs to successfully save. Research could examine the effectiveness of tailored matched-savings account programs that provide targeted financial education and training based on participants’ level of financial capability and readiness to initiate savings.

CONCLUSION

While there is important insight to be gained regarding the factors that affect low-income households’ participation in matched-savings account programs, there are limitations of this work. This study sought to understand the experiences of participants in a unique matched-savings account program in the specific context of New York City, and the results should be interpreted with this limitation in mind. Participants in matched-savings account programs in other contexts may face different barriers to savings or have different motivations guiding their savings behavior. Similarly, the majority of the participants (see Appendix 1) were African American and Latina females. Therefore, it is important that future work examines the
experiences of low-income households enrolled in matched-savings account programs in other contexts, such as rural settings, and other populations that differ by ethnicity and gender.

Despite this limitation, the findings of this study provide insights that may be applicable to other matched-savings account programs for low-income households and advance research on the complex processes of financial decision making. The results of this study help provide a holistic understanding of the daily experiences of low-income households and how their experiences may guide their participation in matched-savings account programs. We conclude that participants’ savings decisions were mediated through a series of individual, institutional, and structural factors that deserve attention in future policy considerations.
APPENDICES

APPENDIX 1
Sample Characteristics ($N = 48$)

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<thead>
<tr>
<th>Demographic Group</th>
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<tr>
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<td>Age</td>
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<td>25 and under</td>
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<td>26-50</td>
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<td>Race/Ethnicity</td>
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<tr>
<td>Caucasian</td>
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REFERENCES


