

UIDAN PROJECT REPORT

Single Mom Initiative
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EXECUTIVE SUMMARY

Julie Humberstone

In January 2007 the Single Mom Initiative (SMI) partnered with the Utah Individual Development Account Network (UIDAN) to conduct a qualitative research project. The purpose of the UIDAN—SMI project is to explore the impact of the UIDAN program on its participants. The project involved semi-structured interviews with 24 UIDAN savers. The interviews explored savers' attitudes and behaviors related to saving and money management. The interviews also asked savers for feedback about the program and the financial education classes. All types of UIDAN savers were included in the study, although the study has a particular interest in examining the impact of the program on single mothers. Below are some of the key findings:

Program Feedback

- Feedback about the program and the financial education classes is overwhelmingly positive. Savers are appreciative of the program and see the benefit it is having in their lives.
- Savers would like more people to know about the program, but feel it needs to be marketed such that people will realize it is not a “scam.”
- A number of savers would like to use automatic deposit who are not currently using automatic deposit. It is either not available to them or they do not realize that it is available to them.
- Many savers would like more information on investing and more asset-specific training. Some of those savers either have not had their asset-specific training or are unclear on when or if it will be available to them.

Program Impact

- Savers need the motivation and confidence to save. The most pronounced benefit of the program is not the matching money but the structure and incentive provided by the program.
 - The program builds motivation by providing education that help savers understand that saving a little can make a difference in the long term.
 - The program also builds motivation by providing a goal and an incentive for saving.

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- The program provides the structure that makes saving easy, helping savers form the habit of saving.
- The UIDAN program changes behavior and attitudes.
 - Less than one third of the savers interviewed saved money before the program.
 - All but 2 of the 24 savers interviewed currently use a budget and monitor their spending—this is the most common change in behavior identified by savers.
 - The majority of savers feel they are more confident in their ability to manage and money and save since participating in the program.
- The interviewed savers seemed to fall into two categories: young married students just starting out and a more varied group from more difficult circumstances. Based on the savers' responses to interview questions, the impact of the program appears most pronounced on the savers who are from more difficult circumstances—not the “young student” savers.

More information can still be learned from interviewing additional UIDAN savers. Specifically, to date the research team has only been able to interview four single mother savers. This makes it difficult to compare single mothers to other types of savers. The single mothers interviewed clearly fell into the category of savers who benefited most from the program, and findings that apply to this group of savers apply to single mothers. However, interviewing more single mothers may lead to additional insights.

FULL PROJECT REPORT

Julie Humberstone

Project Background

In January 2007 the Single Mom Initiative partnered with the Utah Individual Development Account Network to conduct a qualitative research project. The Utah Individual Development Account Network (UIDAN) offers a matched savings program to individuals of “modest means” living in Utah. Program applicants must meet a number of eligibility requirements, primarily income and asset limitations. Program participants must also take financial education classes prior to entering the program. Once part of the program, participants—often called savers—save \$15 to \$62.50 each month for up to three years. The savers’ money is matched with \$3 for every \$1 saved. The program is intended to help those with limited resources save and build assets. To be eligible for the matching funds, savers must apply their savings and the matching funds to one of three asset building purchases: a down payment on a home, starting or investing in a small business, or paying for post-secondary education.

The Single Mom Initiative (SMI) is a research initiative of BYU’s Economic Self-Reliance Center. The SMI’s mission is to help single mothers in Utah build economic self-reliance. Nearly 30% of Utah’s single mother families live below the poverty line. Many more single mother families live above the official poverty line but still struggle to support their children. The SMI’s research focuses on identifying and developing the best strategies for helping single mothers. The SMI works with partners in the community—organizations like UIDAN who work with and care about single mothers—to conduct its research.

The purpose of the UIDAN—SMI project is to explore the impact of the UIDAN program on its participants. The project explored savers’ attitudes and behaviors related to saving and money management. All types of UIDAN savers were included in the study, although the study has a particular interest in examining the impact of the program on savers who are single mothers.

Semi-structured interviews were conducted with UIDAN savers. A group of BYU sociology and public administration students worked with the SMI and UIDAN to develop an interview guide. The interview guide included questions about savers’ past and present financial circumstances and their attitudes and behaviors related to saving and money management. Savers’ were also asked about any positive or negative impacts of program participation, their feelings regarding the program, and the effectiveness of the financial education courses.

The UIDAN used a variety of methods to contact savers’ and obtain their consent to participate in the study. An email was sent, phone calls were made, and a letter was sent explaining the

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project and asking savers to sign and return a consent form. Attempts were made to contact all 84 savers that were participating in the program at the outset of the study. Thirty-six savers consented to participate. The students contacted those savers to set up an interview. The majority of the interviews were done over the phone. Although almost 20% of the savers that consented to participate were single mothers, the students were only successful in contacting and interviewing four of the single mother savers. Students were able to contact and complete interviews with a total of 24 savers—approximately 30% of all program savers’ at the time.

Interviews were recorded and each student conducted an analysis of his or her interviews. Students submitted a report of their conclusions and met together to compare their interviews and discuss the overall findings of the study. This report summarizes the conclusions and findings of the interviews as a whole. Findings are organized topically, rather than in the order the questions appeared on the interview guide.

Participant Background

Question 5: Current financial situation and contributors to this situation

Question 7: Parents’ role

The savers’ interviewed seemed to fall into two categories. About half of the savers’ interviewed were young—under 30—married couples just starting out. Often these savers are still attending college or were still attending college when they joined the program. The savers’ in this category generally reported that their parents had taught them good saving and money management skills—either explicitly or through example. Many of them had savings accounts when they were very young and were encouraged to save for such goals as college attendance. They also often reported having parents who they could go to for help in the case of a financial setback and to get answers to financial questions. In addition, a number of these savers reported having worked as credit counselors and/or that they were finance or business majors in college.

The majority of the savers in this first category appear situationally poor. Their financial circumstances can be attributed to the fact that they are young and students. This young college age group of savers certainly benefits from the program. As will be discussed in the following sections, they are appreciative of the program; however, they do not appear to benefit as much from the program as other savers. It is likely that they are already on the path to financial stability, but the program gives them a little bit of a head start on their asset building.

The other group of the savers interviewed is more varied. Many of the savers in the young student group described their financial situation as good or tight—but typical for young students. In contrast, the second group of savers painted a more complex picture of their financial situation. Savers in this group often described their financial situation as poor. They attributed their circumstances to a variety of factors. Some savers were single mothers, come from

generational poverty, or live in rural areas with limited economic opportunity. One saver cares for a disabled child. Others cited difficulties with debt or poor financial choices in the past. Savers in this second group are also more likely to have parents who have struggled financially or did not teach the savers good financial management skills. While their circumstances are varied, the common thread among these savers is that their financial situation generally cannot be attributed to being a young student.

Members of this second group of savers are also generally appreciative of the program. However, the program often has a more dramatic positive impact on these savers than on members of the young student savers. Savers in the second group report a greater benefit from the financial education classes and more significant changes in attitudes and behavior.

Saving

Question 6: Saving behavior/experience before IDA

Question 8: Factors affecting ability to save

Less than a third of the interviewed savers saved consistently before the IDA program. Almost all the savers who were not saving money before the program said they knew they should have been saving or wanted to save. They generally understood the importance of saving. Below are the reasons savers gave to explain why they did not save before the program:

- I tried to save, but something would always come up. (4)
- I just didn't do it. (4)
- I didn't think I could save. (3)
- I needed a goal or a reason to save. (3)
- I didn't know how to save. (1)

Some savers faced unexpected expenses that derailed their attempts to save before the program. However, most savers did not save because they did not have the motivation or confidence to save. In fact, as will be discussed in more depth later, one of the most pronounced benefits of the program appears to be the incentive and structure it provides for savers.

Question 12: Habits changed to save with IDA

Question 14: Any negative impacts from IDA saving

Almost half of the savers indicated they did not have to change any habits in order to save. For the other savers the most common behavior change required to allow for monthly savings was to eat out less. Others simply said that they had to make saving a priority and habit. A few other savers indicated they had to cut back on "little" things or track spending more carefully in order to save. One saver stopped using credit cards in order to save. The savers' responses reinforce

the conclusion that saving is possible even for those with limited resources. This was true of the “young student” savers as well as the other savers. Saving appears to be less a question of income than careful money management.

Savers were specifically asked if they had experienced any negative effects as they began to save money. For instance, savers may find themselves paying bills late or cutting back on critical needs as they prioritize saving. None of the savers reported any negative effects from beginning to save, which is consistent with the minor lifestyle changes they reported making in order to begin saving. One saver actually reported that since starting to save in the program he was able to pay bills on time for the first time. He attributed this to his increased awareness of his money and his spending.

Although savers are able to save without dramatically altering their lifestyle, it should not be inferred that all savers have enough income for all their needs. Specifically, not all savers have health insurance, a critical element of financial stability. It is unlikely, however, that savers are choosing between saving and health insurance as the amount being saved is generally not enough to pay for health insurance. Hopefully, savers without health insurance can use their savings and asset-building to improve their ability to afford health insurance.

Financial Setbacks

Question 9: Financial setbacks (before and after IDA) and their consequences

Question 10: Dealing with setbacks/Support system during financial crisis

Only two savers have experienced financial setbacks since joining the IDA program. One of those savers experienced a job loss and had to temporarily stop saving. The second saver reported minor financial setbacks that had not affected her ability to save. The other savers had not experienced any serious setbacks since beginning the program, but many identified setbacks that had negatively affected them financially before the program. The most common of these included car trouble and medical bills. Other savers referred to debt, a failed investment, and a move to rural area. The young student savers were among those who experienced setbacks before the program; however, they were more likely to refer to these setbacks as minor.

The vast majority of savers seemed to have some support system they could rely on when facing a financial setback. Most have (or would) go to family, particularly parents, for help during a financial setback. This is not surprising considering the majority of interviewed savers are under the age of 30. All but one of the savers in the young student category indicated they would rely on parents. However, some of the other savers said they would not rely on family. Three savers said they would rely on a loan. One saver said she would rely on her church, as well as family. Two savers said they did not have anyone they could rely on in a time of financial crisis. Of those two savers with no support system, one said she relies on the programs of organizations

such as Community Action Services' in times of difficulty. The second saver without a support system said he just gets "creative" and finds ways to make more money.

Financial Education

Question 15: Financial training outside IDA

Approximately two-thirds of savers had some financial training before beginning the program. A number of savers had taken some sort of accounting or finance class in college. Several other savers had taken course through their church, through Zion's Bank, or through another organization. A handful of the savers worked as credit counselors and had learned about interest rates and credit cards through their job. Again, the young student saver was more likely to have had previous financial education. A number of these savers had worked as credit counselors and were business or finance majors in college.

Question 16: Education classes feedback

Question 18: Instructor feedback

The response to the program's financial education classes was positive. Savers generally found the content of the class useful, although many savers said they were already familiar with at least some of the information presented. Several of the savers—particularly those young student savers—indicated that the classes did not offer any new information. However, even these savers generally reported that they thought the content of the classes was good.

Three savers indicated they did not find the classes useful. Of those three savers, one felt the class was too basic and, therefore, boring. He was one of the young student savers with experience as a credit counselor. A second saver felt the content was not relevant. Specifically, he felt that too much time was spent discussing predatory lending. The third saver also felt the classes were not entirely relevant to her. She felt that the classes were geared toward people who do not live in rural areas, as she does. She also felt the discussion surrounding investing was not relevant to someone like her, with such limited resources.

Savers mentioned several class exercises that they found particularly useful. Three savers mentioned a class exercise involving calculating the additional costs associated with a given purchase. Other savers mentioned the handouts, the suggestion to use a binder to organize financial documents, and the formula used to determine spending goals for various expenditure categories. One saver appreciated the "tricks" and "strategies" she learned that help her find ways to save.

Savers' were asked if there was anything they wished the classes had covered. They provided a number of suggestions regarding additional content they think would be helpful as well as suggestions regarding the classes' pace and organization:

- ***More information on investment (5)***: the most frequent comment was that savers' would like more information (perhaps an "advanced" class) that goes into more depth on investment issues. This was a comment of both young student and other savers.
- ***More asset-specific information (4)***: a number of savers indicated that they either found the asset-specific training the most helpful or would like to have more asset specific training. Most of these clients had not yet had their asset-specific training, were interested in this type of training, and were unclear as to when and if they were going to be able to participate in this training.
- ***Classes rushed (3)***: a few savers felt the classes seemed a little rushed.
- ***Questions (3)***: a few of savers felt too much class time was spent on individual questions. They felt that perhaps individual questions could be dealt with after the class via phone or email.
- ***Classes ongoing (2)***: a couple of savers felt it would be more helpful if the classes were spread out over the course of the program. One saver felt that there was too much information covered in a short period of time and spreading classes out over time would address this issue.

Feedback on the financial instructors was equally positive. Savers' described the instructors as "helpful," "friendly," "very knowledgeable," "excellent," and "adaptable." One saver who was generally unhappy with the classes did not feel comfortable with the instructors, but otherwise all savers felt the instructors were enthusiastic and approachable.

Money Management

Question 11: Resources used if have financial question

Savers' were asked what resources they refer to when they have a question about personal finance. The majority of savers' go to family members with a financial question—particularly a parent. Again, this may be expected, as the majority of savers' interviewed are younger than 30 years old. Many of these savers'—particularly the young student savers—had a parent or parent-in-law that works in the financial services field. Other savers' refer to friends or the Internet with their financial questions. One saver specifically mentioned bankrate.com as source of

information. A variety of other less common answers included the savers' church, self-help tapes, books, a coworker, and the programs' class handouts.

Question 13: Budgeting behavior/method

Most savers use a budget, although they often reported a relaxed approach to following their budget. Only two savers said they did not use a budget. One of those savers said she did not have time and that she would like to use a computer program (if it was provided by the program) but it seemed "silly" and too time consuming to write down expenses and budgets. The other saver indicated that she had started out the program budgeting, specifically to track her spending on eating out. However, she did not like what she saw when she tracked her spending and so quit.

For the majority of savers who do make and follow a budget, they do so using a variety of methods. Most savers keep a mental or written budget. Some savers use computer programs, specifically Microsoft money or excel.

Question 17: Changes in the way clients manage/view money since IDA

Savers' were also asked if they changed the way they manage their money since joining the program. The majority of savers indicated that they had made some change since starting the program. Some savers noted that the fact that they were saving was a change for them. In fact, as noted earlier less than a third of the savers were saving before the program. The most common change reported by savers, however, was using a budget and more carefully monitoring spending. Two savers' indicated that they have stopped using credit cards since taking the financial education classes. All the behavior changes reported by savers were positive. The young student savers were less likely to report a dramatic change in their money management behavior. Only two savers reported no change in behavior, so clearly even most student savers improved their money management behavior through participation in the program.

Attitudes toward Future

Question 19: Feelings about ability to manage money

Question 20: Confidence in ability to save

Question 21: Financial goals

Question 22: Optimism about financial future

At least half of the savers said they felt their ability to manage their money had improved since joining the program and they felt confident that they would continue to save after leaving the program. With the exception of one saver, those who did not feel confidence in his/her ability to save and manage money had improved since joining the program indicated that he/she had

entered the program already confident in their abilities. Again, many of these savers were the young students.

Savers overwhelmingly feel optimistic about their future. Financial goals include those they are working towards through the IDA program: buying homes, going back to school, and starting businesses. Savers identified other financial goals as well, including saving for emergencies, building retirement funds, paying off school loans, replacing cars, and taking kids to Disneyland.

Savers' are split between those that say their financial goals are the same as before the program and those that say they have different goals than they had previously. Young student savers are less likely to report a change in their financial goals since participating in the program. The other savers who had changed in their financial goals reported that before the program they did not have any long-term financial goals because they did not think achieving such goals was possible. The program helped them see that they could achieve long-term goals such as buying a home, returning to school, and investing in a retirement fund.

IDA Program

Question 2: Understanding of program

Question 3: How useful program has been

Question 4: Ways program could improve

Question 23: Would you do the program again/recommend program?

IDA savers seem to have a solid understanding of the program. Savers described the program as a program that helps people save and matches savings. Many savers referenced the requirement to use the savings for one of three asset building purchases: a home, business or education.

Several of the savers also referred to the program as one that helps individuals help themselves, builds the habit of saving, or provides an incentive for saving.

Feedback about the IDA program is overwhelmingly positive. All of the savers interviewed indicated that they would do the program again and would tell others about the program. In fact, more than half of the interviewed savers said they have already referred others to the program or tell "everybody" about it. One saver has even posted information about the IDA program on her website.

The savers were asked what the IDA program could do better. Almost a third of the savers felt the program was easy, beneficial, and could not be improved. Other savers made a number of suggestions:

- ***Automatic deposit of savings (4):*** several clients felt automatic deposits would be helpful. Some of these savers did not realize it was available to them. For others automatic deposit is not available in their area.
- ***Ability to save more (3):*** some savers would like to save more monthly to accrue money more quickly and/or save money for a longer period of time.
- ***Asset specific training (3):*** as noted earlier, several savers mentioned a desire for asset-specific training. The most common request was for training focused on purchasing a home. These savers either have not had this asset-specific training yet or do not know when or if it will be available to them.
- ***Greater flexibility (3):*** some savers would like to spend money on something besides a house, business, or education.
- ***More contact (2):*** two clients felt like contact with the program after the classes should be increased. They would benefit from the program “checking in” with them.
- ***“More classes” (2):*** a couple of savers would like to take more classes on more topics (as mentioned in the class section, a number of savers would like more information on investment).
- ***Class timing (2):*** also mentioned earlier, some savers would like the classes to happen over the course of the program or closer to the time of their asset purchase.
- ***Bank statements (2):*** two savers felt the bank statements did not come on time or often enough.
- ***Travel to class (2):*** only two savers mentioned the difficulty of finding time to come to the classes considering the distance they had to travel.
- ***New account (1):*** one saver would prefer not to have to open a new account.

A final theme that came up repeatedly in the interviews was that savers initially thought the program was a “scam.” Savers said that as they recommend the program to others they find it difficult to convince people that the program is for real. Savers suggested that the program find a way to market itself so that people will believe it is legitimate.

Conclusion

The interviews of 24 of UIDAN savers have resulted in some important findings. First, while savers offer a few suggestions, the feedback about the program and the financial education classes is overwhelmingly positive. Savers are appreciative of the program and see the benefit it is having in their lives. Interestingly, the benefits they cite are not simply the matching money but more often the structure and incentive it provides for them—structure and incentive that helps them begin to save and form positive money management habits. The UIDAN program builds motivation by providing education that helps savers understand that saving a little can make a difference in the long term. The program also builds motivation by providing a goal and an incentive for saving. Finally, the program provides the structure that makes saving easy, helping savers form the habit of saving.

The UIDAN program clearly has a positive impact on savers' behaviors and attitudes. In addition to increased saving, savers report changes in budgeting habits and an increased awareness and tracking of spending. The majority of savers also leave the program feeling more confident about their ability to save and manage their finances. They look to their future with more optimism.

The impact of the program is clearly most significant on savers who come from more difficult circumstances than the young student savers. The savers that reported the least benefit from the classes, the least change in money management behaviors, and the least change in their confidence and abilities were the young student savers. The minimal change occurs because most of the young student savers enter the program already on the path to financial stability. So, while the program is beneficial, it does not provide as significant a boost as it does to the other savers. For the other savers interviewed—including single mothers, those from generational poverty, and those from other difficult backgrounds—the UIDAN program's benefits are more pronounced and often dramatic. These savers report a greater benefit from the classes and more significant improvements in money management behaviors. The UIDAN program helps many of these savers to take control of their finances and their future for the first time.

Appendix: Interview Guide

1. Could you tell me a little bit about how you became involved with the IDA program?

Probes

- a. *How did you hear about the IDA program?*
 - b. *What made you decide to apply for the IDA program?*
 - c. *What goal are you saving towards?*
2. How would you describe in your own words what the IDA program is and what you expect from the program?
 3. How useful do you think the program has been for you?

Probes

- a. *What do you think the impact of the program has been for you and your family?*
4. What could the IDA program do differently to make it easier for you to save?

Probes

- a. *What would you change about the program?*
5. How would you describe your current financial situation?

Probes

- a. *What has contributed to your current financial situation?*
6. How did you feel about saving money before the IDA program?

Probes

- a. *Did you save money regularly before the IDA program?*
- b. *If you did save before the program, what types of things did you save for?*
- c. *Tell me about a time you tried to save for a goal before the IDA program. What happened? Or Tell me about a time when you were successful saving for a goal.*
- d. *If you did not save in the past, what prevented you from saving?*

7. What did your parents teach you about saving?

Probes

- a. *Do you consider yourself more financially secure than your parents were at your age?*
- b. *Do you consider yourself better financially educated than your parents were at your age?*

8. What are the factors affecting your ability to save money and build assets?

Probes

- a. *Family circumstances or health issues . . .*
- b. *Employment or education issues . . .*

9. Have you had financial setbacks in the past? Can you tell me about those setbacks?

Probes

- a. *How have these setbacks affected you?*
- b. *What have you done to deal with these setbacks?*
- c. *Have you experienced any of these setbacks since beginning the IDA program? How did it affect your savings with IDAs?*

10. Who helps you when you are in a financial crisis? Who do you help?

Probes

- a. *Is it hard to say no?*
- b. *What happens if you don't help those people?*

11. Who or what resources do you usually use or consult with when you have questions related to personal finance?

Probes

- a. *Do you call a friend, family member, co-worker?*
- b. *Do you call your financial institution, insurance agent, or someone who works in the financial services industry?*
- c. *Do you use the Internet or watch TV shows which address personal finance issues? If so, which websites or shows do you use?*

12. What habits (if any) did you have to change in order to save money with the IDA program? Tell me about it...
13. Do you use a budget/spending plan to monitor your income and expenses? If so, tell me what you do.

Probes

- a. *Do you create your budget mentally or write it down or use a computer software program?*
 - b. *How well do you stick to your budget?*
 - c. *How much of an influence are your kids on your spending decisions?*
14. Has saving for the IDA program ever had any negative impacts on your finances or life? Tell me about it . . .

Probes

- a. *Has saving ever affected your ability to pay bills/pay bill on time?*
 - b. *Has saving ever led you to increase your debt?*
15. Have you had any financial training outside of the IDA program (college courses, high school classes, workshops, seminars)? If yes, what?

16. How did you feel about the IDA financial education classes?

Probes

- a. *How many hours of Financial Education classes have you attended?*
- b. *What was useful?*
- c. *How much of the information was new to you?*
- d. *Is there anything you would have liked to learn that the class did not cover?*
- e. *Will you take the information you have learned from your IDA experience and help teach others?*

17. How have you changed the way you manage your money since starting the IDA program and taking the financial education classes?

Probes

- a. *Have you changed the way you use or view credit and/or credit cards? How?*
- b. *Have you changed your budgeting habits? How?*
- c. *Are you more careful about how or where you spend money? If so, how?*
- d. *Have you changed how often you balance your checkbook? How?*

18. What do you think of the IDA class instructors?

Probes

- a. *Could they have done anything differently/better?*
- b. *Did they fully explain topics?*
- c. *Did they answer questions well/politely?*
- d. *What was their overall attitude like?*

19. How do you feel about your ability to manage your finances? Has this changed since before the IDA program? In what way?

20. How has the IDA program affected your confidence when it comes to saving? Do you plan on continuing to save after the IDA program?

21. What are your financial goals? Are they different than the financial goals you had before the IDA program? If so, how?

22. How optimistic do you feel about your financial future? Has the way you feel about your financial future changed compared with before the IDA program? If so, how?

23. Given your experience, would you do the IDA program again? Would you recommend an IDA program to others (friends, family, etc.)?