



YES, POOR PEOPLE DO SAVE

Conventional wisdom holds that wealthy people save their money and that poor people can't or won't. But low-income families are disproving this outdated notion, and providing long-term financial security for their children, with a little help from some innovative programs.

OVERVIEW

One of the most common myths in economic and poverty policy is that low and moderate-income people can't or won't develop financial assets. However, evidence from a wide variety of successful pilot projects from around the U.S. shows that, like wealthy families, low-income families can and do save when appropriate incentives and savings products are in place. Tactics like integrating savings tools into social support programs, providing financial education, matching savings, and even simple changes like allowing a savings check-off on tax forms, have yielded positive effects for low- and moderate-income families.

A SAMPLING OF SUCCESSFUL SAVINGS PROGRAMS

American Dream Demonstration Project

- **Description:** A privately funded pilot project, the American Dream Demonstration (ADD), provided financial education to low-income individuals and then helped them save for a home, business, or education by matching savings.
- **Results:** The participants -- who had average incomes of \$17,952 -- saved an average of \$1,059 over the course of two years.
- **Performance Evaluation:** A national program evaluation by the Center for Social Development concluded that income level was only weakly associated with savings outcomes. Poorer participants saved about as much as those with more moderate incomes and, in many cases, saved a higher proportion of their income. A separate study of one Oklahoma site yielded similar results. Participants there earned an average of \$18,906 a year and saved about \$2,150 over three years.

H & R Block Matched Savings IRAs

- **Description:** H&R Block offered its Express IRA to low- and moderate-income families with either: 1) no match, 2) 20 percent match, or 3) 50 percent match.
- **Results:** Families saved between \$860-1310 on average, depending on the match incentive.
- **Performance Evaluation:** While this shows that match rates can have an impact on the willingness of lower-income families to save, the evaluation showed that having professional tax and financial advice and easy access to saving also played a significant role.

Splitting Tax Refunds OK

- **Description:** A research collaborative piloted a ‘split refunds’ program in Oklahoma. The program allowed tax filers at a free tax preparation site to split their refunds into “money to save” and “money to spend.”
- **Results:** Of those offered this option, over 20 percent wanted to participate. Participants had an average adjusted gross income of \$12,300 and an average tax refund of \$1381. On average, the participants elected to put \$606 of their total refund into a savings account.

FOR MORE INFORMATION:

Anne Stuhldreher.

California Assets Fellow

New America Foundation – California Program

(415) 596-6138 phone

Stuhldreher@newamerica.net

www.ca-assets.org