



DESIGNING A FINANCIAL PLANNING AND INVESTMENT PROGRAM FOR EARN ALUMNI: SUMMARY OF RESEARCH FINDINGS

EARN (www.sfearn.org) is a national leader in developing asset-building services for underserved populations. Through its matched savings accounts, called IDAs, lower-income working families have been able to acquire significant financial assets. These assets create opportunities for families to buy a house, pursue education, start a business or achieve other goals.

As graduates of the IDA program accumulate financial assets, they are in need of financial planning advice and a suite of financial products appropriate to their needs. Thanks to support from the Ford Foundation, EARN has conducted research in order to pilot a financial planning program for IDA Alumni. This document summarizes the current findings from this work.

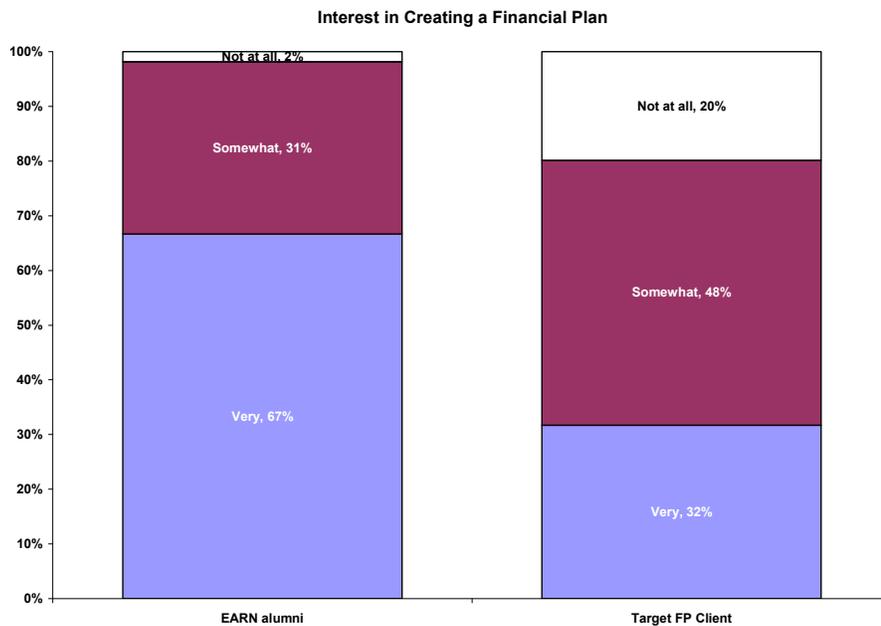
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Finding 1: EARN Alumni Are Very Interested in Creating a Financial Plan

First and foremost, EARN alumni have a strong interest in financial planning services. More than two out of three EARN alumni (defined as EARN clients completing a savings or individual development account — IDA — program) are very interested in creating a financial plan. Only 2 percent are “not at all interested.” EARN alumni have twice the interest of a comparison group of non-EARN renters with modest incomes in the San Francisco area, although clearly there is demand among non-EARN clients as well. These results held up to further analysis controlling for other factors, including:¹

- Respondents with greater amounts in savings are more likely to indicate having the strongest interest in creating a financial plan, as are those with greater debt levels.
 - Each additional \$2,500 in savings increases “very interested” responses by 3.5 percent, while the same amount of debt increases interest by 2.5 percent.
- Having a college degree increases “very interested” responses by about 10 percent.
- After controlling for assets and debt, the respondent’s income has no effect on interest in financial planning.
- Race has no effect; minority respondents are no more or less likely to indicate strong interest in financial planning.
- Interest in creating a financial plan was similar whether or not the respondent has previous experience working with a financial planner.

Figure 1



Source: PolicyLab Consulting Group, LLC, analysis of the San Francisco Working Families Financial Planning Survey (SF-WFPS) conducted for EARN, November 2006.
n = 54 EARN clients and 161 non-EARN comparison clients.

¹ Using an ordered probit regression procedure to generate the marginal effects of responding “very interested.”

Focus groups conducted with 37 EARN alumni during six sessions conducted in English, Spanish and Chinese provided even more details on perceptions of financial planning. Most focus group participants affirmed their need for financial planning and interest in receiving services from EARN. Their financial goals ranged from saving for children, retirement, homeownership, small businesses, education or simply having funds for unexpected expenses or opportunities. When asked about her confidence in her ability to make sound financial investments on her own, one EARN alumna said, “I would be scared...I would definitely want to consult people that I know, know more than me.” Regardless of the motivation, EARN alumni in focus groups expressed a strong desire to take the next step toward managing their financial future. As one participant suggested:

I really need to fix all my plans for the retirement. I have different types of, I don't really understand much about the 401(k), 403(b), etc. That's another thing I need to learn. So many things to learn. But my employer takes some money out...and they invest it. But I don't really know how it works and I never talked to my employer [about it].

One participant responded that when she hears the phrase “financial planning”:

I think “argh”! It's something that if you don't plan for the future, the future will still happen regardless. I like to make different choices [than]...my grandparents, my parents...nobody has taken care of these things and [I know] it's not a good idea.

Finding 2: EARN Alumni have Some, But Limited, Experiences with Financial Planning

Parents, friends and spouses are the leading sources of financial advice for all surveyed groups, regardless if they had previous experience with a financial planner. Non-target respondents who report a median income of \$4,000–5,000 per month, compared to \$1,000–2,000 for EARN alumni and \$2,000–3,000 for the comparison non-EARN target group, are the most likely to report using a financial planner. Otherwise the use of professional planners is quite low. EARN alumni and comparison respondents tend to rely on informal advice from family, friends and co-workers. Nonprofits are not widely used, with the exception of EARN alumni. Nearly one in three EARN clients says they turn to a nonprofit for advice, which likely means they turn to EARN for advice.

Figure 2

Who do you usually turn to for Financial Advice?			
	EARN Clients	Non-EARN Target Clients	Non-Target Clients
Friends	45%	31%	30%
Parents	33%	25%	21%
Spouse/partner	26%	18%	25%
Nonprofit Organizations	26%	4%	2%
Co-Workers	22%	9%	5%
Siblings	17%	12%	8%
Bank/Financial Institution	14%	23%	18%
My Employer	12%	8%	5%
Professional Financial Planner	7%	8%	23%
Grandparents	3%	1%	3%
My Children	2%	2%	3%
My Church/faith-based institution	2%	3%	2%

Source: 2006 SF-WFPS. n = 58, 170, 274

A surprisingly large one in three respondents report they have met with a financial planner, despite the data in Figure 2 showing most of the people surveyed do not usually turn to a financial planner for advice. It is possible respondents had variable definitions of what constitutes a financial advisor, and may include insurance, mortgage and other brokers. No group reports knowing “a lot” about what financial planners do. The concept of using a planner is not completely foreign, however, since about half of respondents think they have friends, family or co-workers who have used a financial planner in the past.

Figure 3

Experience with Financial Planning			
	EARN Clients	Non-EARN Target Clients	Non- Target Clients
Personally met with a financial planner or financial advisor	40%	35%	55%
Know a lot about what financial planners do:	12%	11%	19%
Friends/Family have never used planner as far as know	50%	59%	40%

Source: 2006 SF-WFPS. n = 55, 166, 271

Focus group participants had a general sense of what financial planning is, but displayed a fair amount of distrust in financial professionals and institutions. Some participants felt that financial institutions were too focused on sales instead of consumers’ interests. According to one participant, “I guess you can only trust so much of what the banks are telling you, because of course, they want you to spend your money with them.”

Some focus group respondents worried about their ability to verify information given from financial planners. Others expressed concern about finding trustworthy sources for financial information. One participant commented, “There were so many people to give advice that I didn’t know who to trust.” As one participant said:

Financial planners may have credentials but that doesn’t mean they know what they’re talking about. You can’t just blindly go to someone.... You need to have a plan or action...and be able to verify any information they give you.

The majority of participants relied on their own judgments or turned to friends and family members for financial advice. One participant stated, “If it’s just advice, I’d [prefer] to get that from people in my life that wouldn’t charge me.” Another commented, “When I think of financial planning, I think that it’s more common sense. I don’t think of a bank or anything like that.”

Another common theme was the idea that financial planning services were limited to wealthy people with large amounts of money to invest. The small number of participants who had worked with a financial planner were generally surprised by the range of services offered and pleased with the experience. For example:

- Initially I thought financial planning was just some person trying to sell you all these stocks. But they offer a lot of things, including insurance policies and a whole financial package. I didn’t know that.

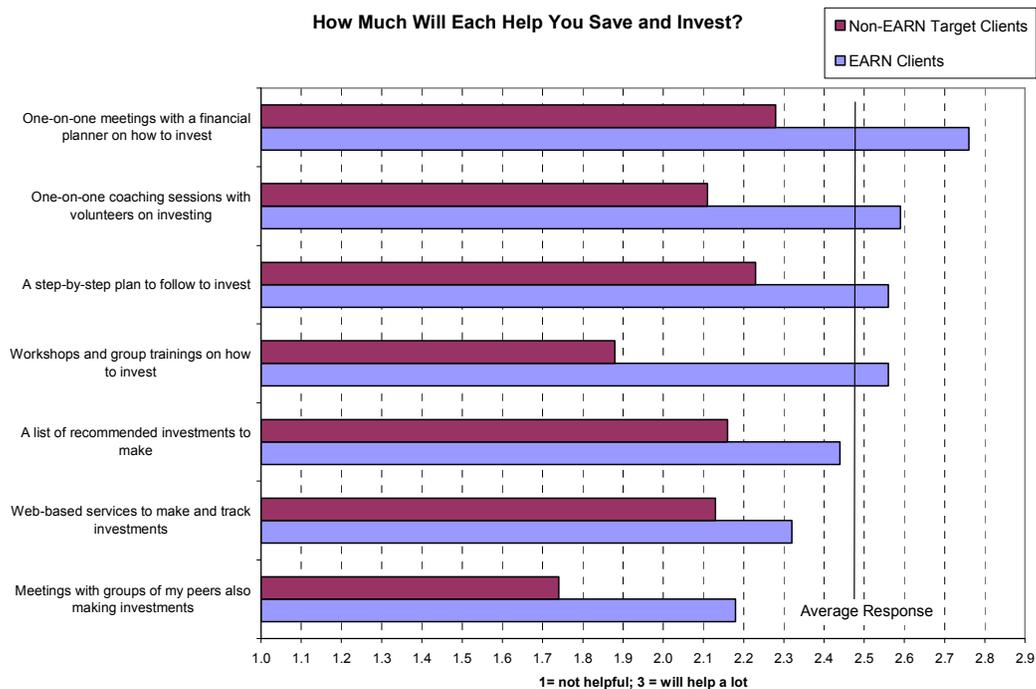
- I thought I had no need for a financial planner because I didn't have any money to invest. But I was wrong. I am working with a financial planner now. He has given me a lot of directions and has made me think about things I never would have thought about. It's a great experience.

There is little use of formalized, professional financial planning among EARN clients or the comparison group. These results suggest there is some basic level of knowledge and experience with financial planning that EARN can build on as it expands financial services to alumni. It may also be possible to expand services to friends, family and other informal sources of advice that seem to be commonly used.

Finding 3: Clients Want One-on-One Attention

Figure 4 shows survey respondents' perceptions of the level of helpfulness of financial planning services on their ability to save and invest. EARN clients rated all areas as being at least somewhat helpful, rated all areas more highly than the comparison group, and also tended to have more favorable impressions of group activities (likely a result of their experiences with EARN). One-on-one services are perceived as being most helpful compared to peer-group meetings, web-based tools, or financial investment recommendations.

Figure 4



Source: 2006 SF-WFPS. n = 58, 170

Focus group findings concurred with survey results. Almost all participants suggested that face-to-face meetings with a professional planner would be preferred. As one EARN alumni commented, “I think it’s really important to see the person that you’re speaking to.”

One statistically significant difference in responses by minority subjects in the survey sample regards if a planner should be the same race as their client. Most subjects reported this is not important, but the average response among minorities suggests more importance (yet still not highly important). Having a peer group to work with scored as being even more important, especially among EARN clients from minority backgrounds.

Figure 5

Importance of Racial Background of Planner & Use of Peer Group			
1 to 3 Scale; 1 Not Important, 3 Very Important			
	EARN Clients	Non-EARN Target Clients	Non-Target Clients
Planner should be the same race – All races	1.5	1.3	1.2
Planner should be the same race – Minority Only	1.7	1.4	1.3
Having a peer group to work with – All races	1.7	1.4	1.3
Having a peer group to work with – Minority Only	2.2	1.9	1.7

Source: 2006 SF-WFPS. n = all: 47, 111, 181; minority: 31, 40, 31

Focus group participants generally also indicated no preference for financial planning services, counseling or educational workshops from someone who is from their own socio-cultural background. EARN alumni seem to value the diversity of people they meet as part of their time with EARN, including networking at workshops and events. One Spanish-speaking focus group member succinctly summarized this idea in the following:

I like a variety of people that have come from different walks of life and do different things because that's where the richness of experience comes from. So, I wouldn't like to be in a group with only women or only Latinos.

Focus group participants reiterated that the expertise of the professional was more important to them than the person's socio-economic background, in most cases. One participant said, "It would be nice, I guess, but good advice is good advice. I don't care who I get it from." Another added, "Yeah. As long as it's someone who knows her stuff."

Cultural and language competence mattered more to immigrants whose first language was not English, however. For example:

Apart from the professional, there is also the human part. For us, that is very important, to simply be from the culture of our countries....It doesn't have to be a high percent, but a little.

Finding 4: Technology Can Play a Key Role in Account Management

EARN clients may find financial planning services delivered through the Internet useful. Of course, because the survey was primarily conducted online, this may bias the sample, but only 22 percent responded they would be "not at all comfortable" using web-based tools to manage their finances. One in three are EARN alumni would "very comfortable" using the web to manage their accounts.

Figure 6

Comfort Level In Managing Finances on the web			
	EARN Clients	Non-EARN Target Clients	Non-Target Clients
Very comfortable	33%	45%	36%
Somewhat comfortable	45%	35%	35%
Not all comfortable	22%	20%	29%

Source: 2006 SF-WFPS. n = 51, 154, 258

In a separate question of what would be helpful to facilitate savings and investment, 87 percent of EARN alumni responded that web-based services would be “somewhat” or “very” helpful. These results, while lesser in magnitude, were reflected in the comparison group as well.

Figure 7

How Helpful: Web-based services to make and track investments			
	EARN Clients	Non-EARN Target Clients	Non-Target Clients
Very helpful	45%	31%	18%
Somewhat helpful	43%	52%	56%
Not helpful	13%	18%	27%

Source: 2006 SF-WFPS. n = 47, 141, 241

Most focus group participants also suggested that they were comfortable with the Internet, with some even saying they use it to research financial issues and products. One participant said:

When I am researching on the Internet, I have a range of data. When I want something...I research it more, not only on the Internet but also I go to the office.

Although participants acknowledged that they are comfortable using the Internet for product research or comparison shopping, they generally felt that they would be more comfortable receiving financial planning services face-to-face. One participant stated his preference as:

An initial [face-to-face] consult and a follow-up. [After that]), something by phone or the Internet if there are questions. Then a final face-to-face if necessary.

Another countered, “I guess face-to-face sometimes is better, but I don’t mind the computer.”

Because technology can help deliver services more cost effectively, and many participants indicated that they would be amenable to using tele-coaching and computer-based training to supplement the face-to-face services they would be receiving, there is strong evidence to support web-based tools in developing a financial planning pilot.

Finding 5: Clients Perceive Their Planning Needs As Focused on Money Management

From the data collected from surveys and focus groups, it is clear EARN and non-EARN clients have mixed perceptions of what financial planning is and what their personal financial planning needs might be. One of the services a financial planner might provide most frequently mentioned among EARN alumni was “creating a budget,” as illustrated in Figure 8 (next page). While financial plans may include a budgeting portion, issues of stock picking and

estate planning were less frequently mentioned, relative to budgeting and relative to the comparison group. Another service mentioned by EARN alumni and other groups as a service only offered among higher-cost planners (or commission based planner-brokers) was “making investments for me.” Because financial planning and financial planners take such a variety of forms, each respondent can define financial plans in their own terms. Nevertheless, there appears to be a strong need for basic budgeting services.

Figure 8

	What kinds of things do you think a financial planner might be able to help you with?		
	EARN Clients	Non-EARN Target Clients	Non-Target Clients
Creating a budget	66%	76%	66%
Making investments for me	59%	64%	70%
Suggesting stocks to buy	50%	66%	68%
Financing a business	36%	41%	35%
Finding a mortgage	29%	30%	29%
Estate or will planning	34%	56%	60%
Starting a business	26%	36%	27%
Expanding my business	28%	26%	21%
Selling me savings bonds	19%	23%	23%
Refinancing a mortgage	19%	20%	23%
Filing my taxes	21%	31%	26%
Selling me life insurance	21%	18%	28%

Source: 2006 SF-WFPS. n = 58, 170, 274

Focus group participants provided many comments consistent with the need for services related to financial literacy. Typical responses included:

- I want to pay off debt if at all possible. Sometimes I feel like that’s never going to happen unless some external force happens that makes it so that I can do it.
- I would like to stabilize myself regardless of whatever else is going on to have certain things in place. But I also have to work on bad habits or bad decisions....I have to take care of that and be responsible.
- I want to get my personal business in order. So it can be a tool that I learn through. I mean, this will be a lesson to me. If I clean up my credit and pay debtors off and all this other stuff, that’s a lesson to me.

If paying bills on time is an indicator of good financial management and budgeting, then almost half of EARN alumni give evidence of such behavior, better than the comparison group. However, the other half have made late payments, most of which were in the last year. This suggests that EARN alumni may benefit from further focus on money management issues.

Figure 9

	Ever made a late payment on a bill?		
	EARN Clients	Non-EARN Target Clients	Non-Target Clients
Never- always pay on	49%	44%	64%
Yes, but it was more than a year ago	4%	14%	12%
Yes, one or more times in last year	47%	43%	25%

Source: 2006 SF-WFPS. n = 51, 167, 268

Another indication that prospective financial planning clients see planning as related to curing money management problems is illustrated in Figure 10. While 28 percent of those not paying

a bill late recently are very interested in creating a financial plan, 39 percent of those who have made a late payment are very interested.

Figure 10

How interested are you in creating a financial plan for yourself, including ways to save and invest?		
	No Late Payments in Last Year	Late Payments in Last Year
Very	28%	39%
Somewhat	44%	47%
Not all	28%	14%

Source: 2006 SF-WFPS. n = 91, 67

Finding 6: The Costs of Financial Planning Are a Barrier, But Clients Are Willing to Pay

Most survey respondents are willing to pay for financial planning services. Based on a conservative estimate (using the mid-point of categorical responses), approximately \$30 to \$40 per hour could be charged for one-on-one sessions with a professional financial planner. Clients would ideally like to meet with a planner between 3 and 4 times per year, although there was wide variance in responses (from weekly to annually or less).

Survey respondents were also asked about their interest in receiving a written financial plan. A written plan was viewed slightly less favorably than one-on-one meetings in terms of overall helpfulness, but when asked about their willingness to pay, survey respondents valued the written plan more highly than the meeting with a planner. Slightly more could be charged for a 10-page personalized financial planning report (\$37–\$44).

Figure 11

Fees and Frequency for Financial Planning Services (if interested in such services)			
	EARN Clients	Non-EARN Target Clients	Non-Target Clients
Willingness to pay for			
1 hour of planning	\$29	\$35	\$39
10 page plan	\$36	\$40	\$44
Ideal number of meetings per year	3.0	3.7	2.7

Source: 2006 SF-WFPS. n = 49, 115, 179

Even though many focus group participants had misgivings about financial planners, most indicated that they would be willing to pay for financial planning services from an experienced professional who had an understanding of consulting to working-class consumers. No participant listed a specific amount that they would be willing to pay for such services, as none was aware of what the typical fees for financial planning are. However, one participant offered this suggestion:

I would pay a sliding scale [fee]. And as I do better as a result of the financial planning, I would be willing to pay higher fees.

One focus group discussion expressed interest in a variety of fees, including nominal fees for topical workshops, fees for meeting with a planner, as well as membership fees. One participant said “based on other type programs, a membership fee...of maybe \$50 a year.”

One topic discussed across all of the focus groups included why EARN alumni have not worked with a financial planner, since most had not. The most typical response was the expense of financial planning services. Most had never considered looking for a planner, assuming they could not afford it, or because they did not feel they had enough savings to even create a financial plan.

Other responses included “the expense...and I didn’t feel they’d care about me.” Yet another noted the logistical hurdles of meeting with a planner, “I’m not organized and all they want to see is like all the paperwork first.”

Another theme from the focus groups about why EARN alumni have never met with a financial planner is fear and a sense of privacy. As one focus group participant said:

I guess I have always been a little afraid...I guess it’s kind of like then they want to ask you a bunch of questions about your life, and I don’t want to be grilled about that.

Survey responses concurred with focus group comments. The cost of financial planning is viewed as a reason not to work with a planner by the majority of respondents. Closely ranked was lacking enough money to make working with a financial planner worthwhile. Other factors mentioned in the focus groups were also selected by some survey respondents, but not at the frequency of concerns about expense and a lack of money to invest.

Figure 12

What are some reasons you would not want to work with a financial planner?			
	EARN Clients	Non-EARN Target Clients	Non-Target Clients
It's too expensive	62%	50%	50%
I don't have enough money to invest	59%	64%	43%
I don't have time	17%	9%	9%
I'm not comfortable sharing personal information	16%	20%	18%
It's not for people like me	12%	16%	17%
I don't think it will help	9%	19%	13%

Source: 2006 SF-WFPS. n = 58, 170, 274

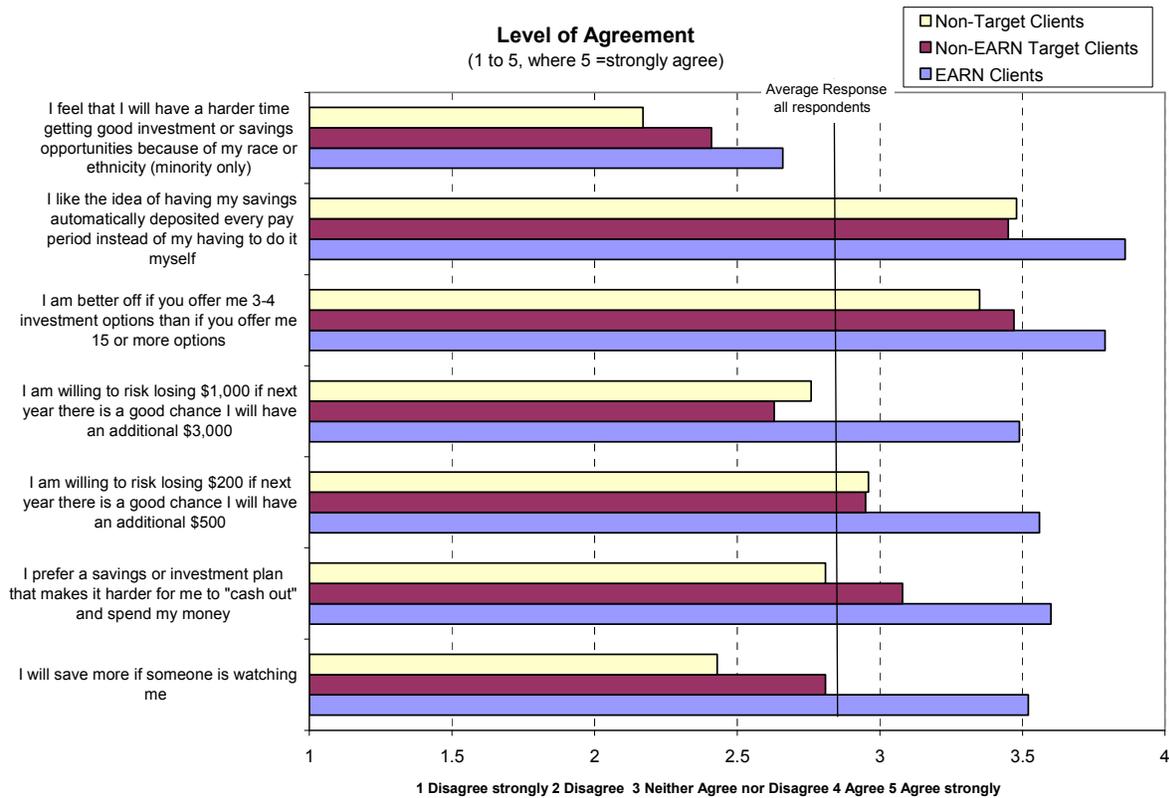
Finding 7: EARN Clients Desire a Structured Program

Figure 11 (next page) shows levels of agreement with various statements, where a longer bar signifies stronger agreement. EARN clients express higher levels of agreement than comparison groups for all questions (statistically significant at the 95% level or greater). The results suggest:

- Minority respondents on average disagree that their race or ethnicity will be a barrier;
- Automatic deposit is perceived very positively;
- All respondents prefer fewer investment options to a larger menu of options;

- Respondents are ambivalent about taking financial risks, although EARN clients express much higher willingness (EARN clients responded with 17–20% higher average levels of agreement than the comparison targeted clients);
- Respondents also seem to prefer a “small bet” (losing \$200) to a larger one with a better potential return on investment (200% return versus 150% return);
- Respondents like some constraints that limit their access to their investment; and
- Survey respondents generally agree that they will save more if they feel they are being monitored. EARN clients responded much more strongly on average (25% higher mean levels of agreement) than the comparison groups to this question.

Figure 13



Source: 2006 SF-WFPS. n = 58, 170, 274

Many focus group participants noted their penchant for constraints, like withdrawal limits and oversight, while saving. One EARN alumni commented:

I have a bank [savings] account, and I don't have an ATM [card] for it. And I have direct deposit, so a little bit of my salary goes there.

Another participant explained that a limited number of targeted financial products would be preferred over a larger menu:

I think a limited amount tends to be better, because if you have an unlimited amount you just never know what to choose and you are just sitting there looking. You waste so much time trying to decide. You go to a restaurant that has so many things to order from, and you are just sitting there. Well, one sounds better

than the next. Instead of “oh, look, they have all these, burritos”...they have too many different kinds of burritos.

Another participant suggested:

If there was a set number of one type of product, like mutual funds, and then a set number of another product, and you could select services based on your needs...that would be beneficial. Something targeted.

Direct deposit was also frequently discussed. In general it is viewed favorably by those EARN alumni who work at firms that have the option. As one participant added, “it’s less for you to worry about.” Self-employed or workers at small businesses often do not have the option, however. One focus group participant summarized a commonly held perception of automatic deposits:

I think they are a good idea, because it’s like another payment that you don’t necessarily know that it’s being deducted if you don’t have it, if you don’t see it every month. It just kind of goes into a place.

Survey findings regarding higher relative agreement to questions on risk-taking is not entirely consistent with focus group responses. While EARN alumni may be willing to take hypothetical financial risks, they are also very nervous about losses. Many focus group participants shared that their primary concern with investing was over the risk involved. The personal trait of low risk tolerance was succinctly characterized by one participant as, “I just don’t take any risks because of all this news about the money that people invested that’s now gone, down the drain. I just don’t want to risk anything.”

Fear and anxiety were common themes, as illustrated by this quote from a focus group participant:

I would say that for me, investment also means anxiety. From the fact that if it is a house, with the ups and downs of the economy, you can earn and have equity in a couple of years, it could even be lower than the value of acquisition. So that is also a concern, to know how the financial market is going to work in a couple of years. The same thing with investments, with accounts like the 401(k), or in long-term investment accounts. It is anxiety, to know if that money is going to earn or not earn. If it is going to earn, is it going to earn a lot, or not a lot? Is it worth keeping it there, or not worth keeping it there? So that is also anxiety, for me.

Finding 8: Marketing: Focus on “Financial Planning” and Leverage EARN’s Reputation

Most of the taglines reviewed in the survey generated positive responses. Non-EARN clients responded more positively to the concept of “the nest egg” while EARN clients preferred the concept of getting a professional financial planner. The strongest response from EARN alumni came from a tagline that included the words “EARN” and “trust.”

Figure 14

	EARN Clients	Non-EARN Target Clients	Non-Target Clients
Makes me want to Sign Up!			
"EARN will provide financial planning services you can trust!"	83%		
"We will provide you with your own professional financial planner"	81%	52%	46%
"Planning for your financial future: We will help your nest egg grow"	74%	59%	51%
"Financial boot camp: Our 10-step approach to investing in your future"	74%	36%	35%
"We will help you take your first steps towards becoming an investor"	71%	45%	31%
"Save for emergency expenses now, and plan for investing in the future too!"	70%	48%	45%
"We will take you from your street to Wall Street"	57%	24%	22%

Source: 2006 SF-WFPS. n = 58, 170, 274

There was consensus among EARN alumni that EARN’s programs have impact, not only by helping participants to attain a desired asset but also by providing valuable support services through its workshops. Participants felt that they gained access to information that otherwise seems difficult to find. One participant commented:

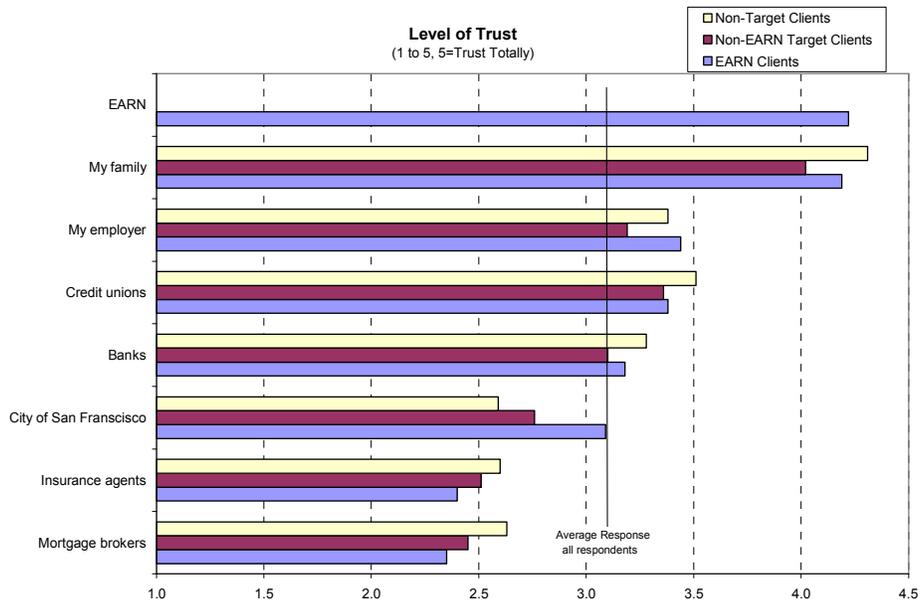
I have found the classes very useful. I wouldn’t have gone to them if I wasn’t involved with EARN because I wouldn’t have known where to go for classes.

Participants generally viewed EARN as a helpful and trustworthy source of information, as one participant noted:

[My trust] depends on the business.....If it is a program like EARN that is prestigious and from the community, I will get the brochure and read it.

Figure 15 shows that EARN clients have very high trust levels in EARN—higher than even their family. As EARN IDA alumni highly regard the services they received, this suggests that EARN is well positioned to build upon these services by offering alumni financial planning services and investing opportunities.

Figure 15

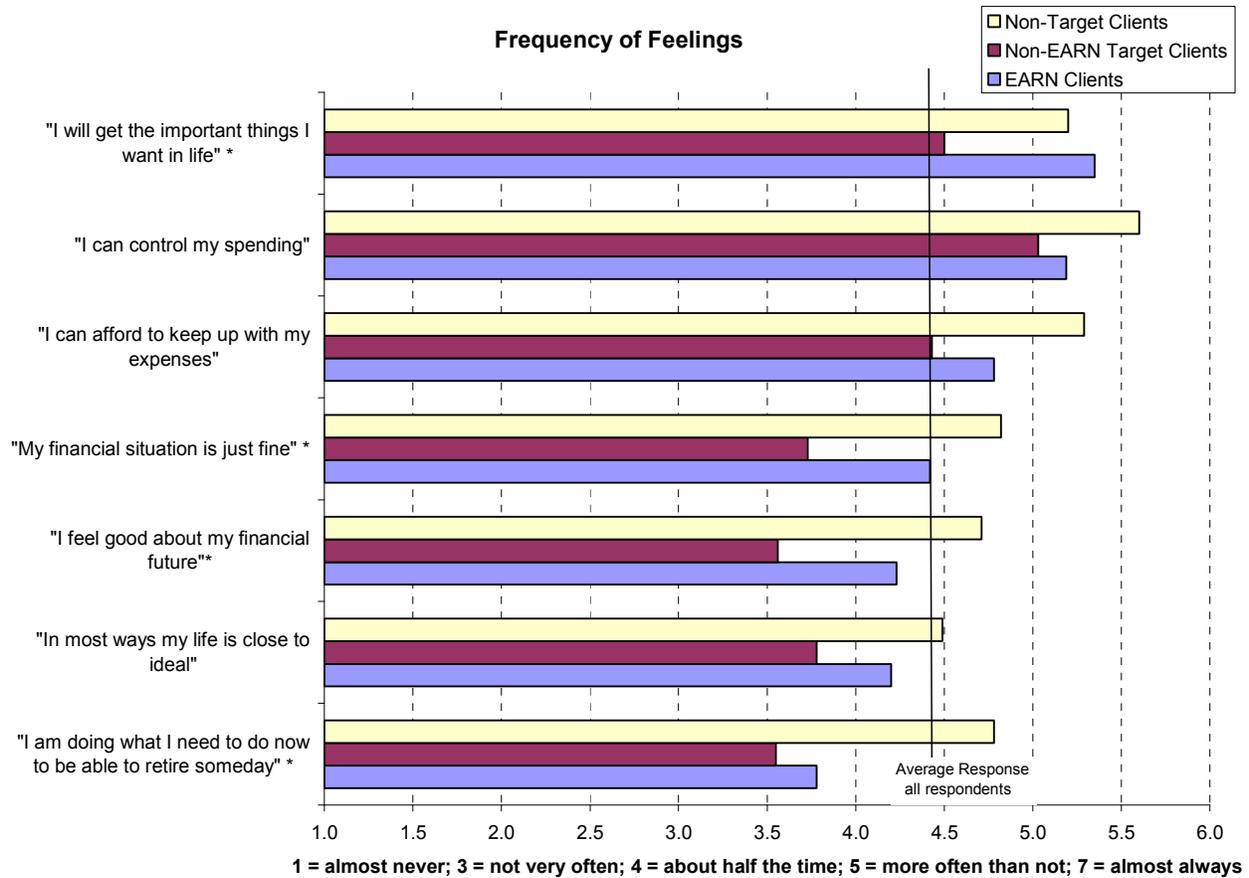


Source: 2006 SF-WFPS. n = 58, 170, 274

Finding 9: EARN Alumni Express Strong Financial and Personal Confidence

Figure 16 shows how often respondents feel the way indicated in each statement. Longer bars signify higher levels of agreement. In this graph, an average score of 4 indicates “about half of the time” and 5 indicates “more often than not.” EARN clients tend to feel better than the comparison group, but not as well as the higher-income group. (Differences between targeted non-EARN respondents and EARN clients are significant at the 95 % level when designated with a *.)

Figure 16



Source: 2006 SF-WFPS. n = 58, 170, 274

The results from the focus groups shed some light on the higher levels of confidence expressed by EARN alumni completing the survey (compared to the non-EARN targeted group). Many, many participants noted how much EARN had helped them gain a financial footing. As one alumni said, “There were eleven of us in my family, so we never had money to save, so what I have learned about saving money I learned from EARN, because I didn’t have any experience.”

Another EARN alumni suggested:

This kind of program helps remove our fear. Specifically from the ignorance that we have on many

subjects, we are scared to take any steps, to [do] something...Because specifically [we] find out how to do things, and how to use our money more appropriately, now we can take that step and do something.

Immigrant Populations

An important part of this research included focus groups conducted in Chinese and Spanish. These sessions helped bring out information unavailable through English-based surveys or even mixed-ethnicity focus groups. The needs of immigrant groups, their access to services, and their understanding of products and processes will vary from other groups. Some important differences include:

- Immigrants in general had little (if any) experience with savings and money management before coming to the U.S., mainly due to very low incomes.
- Chinese-speaking clients emphasized their desire to pursue small business ownership. They also expressed frustration about the limited dollar amount (\$6,000) available through EARN, and said that this prevents other Chinese immigrants from participating. This may indicate that there is a marketing opportunity through testimonials, with a message of “Look at what you can do with \$6,000, given a careful plan and support.”
- Chinese-speaking clients in particular had a very negative opinion of health insurance and the health-care system in the U.S. Overcoming these deeply rooted perceptions will be a challenge. Spanish-speakers did not appear to share these views, and felt that health insurance was a necessity (although some lacked it due to the expense).
- It appears that Latinos prefer to pursue homeownership and are willing to live outside of San Francisco if it is more affordable.
- Latinos in particular showed strong motivation to teach the money management and saving skills they have learned to their children.
- For the Chinese clients, “investment” had a rich meaning beyond finances, extending to their impact on society. Financial decisions appear to be rooted in more holistic considerations than for other populations.

Finding 10: Few EARN Alumni Invest, Hold Retirement Accounts, or Have Insurance

Most EARN alumni and comparison groups hold some financial assets. The most prevalent are checking and savings accounts. Beyond transaction and savings accounts, however, few other typical financial assets are held.² Only one quarter of EARN alumni hold some form of a retirement account. Health insurance and other forms of insurance are also less likely to be held by EARN clients.

Figure 17

Financial Portfolio and Insurance Coverage			
% Holding:	EARN Clients	Non-EARN Target Clients	Non-Target Clients
Checking accounts	94%	90%	96%
Savings accounts	69%	70%	82%
Whole life insurance	27%	15%	29%
401(k) or 403(b) account	25%	45%	50%
IRA retirement accounts	22%	35%	63%
CDs (certificate of deposit)	19%	16%	41%
Stocks in U.S. companies	16%	22%	53%
Mutual funds	15%	24%	60%
Real estate (including a house)	15%	4%	81%
Term life insurance	13%	17%	38%
Stock options	13%	7%	16%
Savings bonds	10%	18%	35%
Gold or other commodities	6%	8%	11%
Defined pension plan	4%	17%	34%
American deposit receipts	4%	2%	6%
Annuities	0%	9%	24%
Health Insurance	62%	83%	90%
Disability Insurance	22%	37%	35%
Property insurance	14%	28%	82%

Source: 2006 SF-WFPS. n = 53 170, 274

The majority of EARN alumni participating in focus groups lacked experience with investing, and furthermore, said they were nervous about entering into the investment market. A number of participants conveyed that they lack confidence about investing. In some cases, participants were inclined to choose safer options for their money with lower rates of return due to their uneasiness with investing, as one participant commented:

[Investing] makes me nervous because I don't know how I could follow the stock market or certain companies....If they did badly, it would feel too risky. I feel a little bit more confident with higher-return savings accounts or certificates of deposit. But I don't feel at all comfortable in an IRA or investing with a stock portfolio. I am really nervous.

Participants generally saw investing as complicated, particularly when investing in mutual funds or stocks. One participant commented:

² Homeownership and small business were not included in this question, although other questions show 16% of EARN alumni own homes and 4% own a small business. Human capital investments (education/training) were also not included.

Most people lose money. They don't make money. And according to a seminar I went to, most people don't even know what their IRA or mutual fund accounts are invested in. And to have a whole bunch of stocks, you need all day to sit there and analyze it. You don't know where these investments are.

Due to the perception of the complexity of investing, participants sometimes opt out of financial products, as one participant aptly noted: "I don't know about stocks. I don't know how to handle a retirement plan. So I don't [use them]."

Participants frequently commented that they felt uninformed on how best to invest. A recurrent topic of discussion in the focus groups was the desire for more knowledge about investing, as indicated by one participant:

I have a daughter, and I want to know where I can put money for her other than in a bank account that is not earning anything. I don't do it, for lack of information. But it might be better for me to risk it, and put [my money] in something long-term that could earn [higher returns] over 15 to 20 years for when she goes to the university.

Another participant commented on how her lack of knowledge caused frustration, saying, "It excites me that this person can invest and get a good turnaround. It *angers* me that I don't know how to do it so I can get a good turnaround."

One solution proposed for overcoming the information gap on investing is to start small with a hands-on approach. A participant recommended this strategy:

What I did and what I suggest is buying stock for one dollar. Go buy something that is not going to cost you anything and then follow it. Learn it. See what happens, and you'll find out how stocks work....I think when we think in terms of investment, we start thinking about our whole nest egg, ...and on that level it's scary.

Retirement accounts were heavily discussed in all of the focus groups. The majority of participants do not have a retirement account. Some of those participants are self-employed, and thus lack easy access and incentives to participate in one. Others indicated that they used to have a retirement account, but it lost money. Therefore, they no longer wanted to use one, as said by one participant, "I don't have [a retirement account]. The 401(k) I got the last time just didn't work out."

Working for an employer who offers a retirement plan does not guarantee participation in it, as one participant discussed:

"When I had my position I was offered a 401(k) and didn't participate....I thought...it was probably better to try and put as much money as I could into paying down [my credit card debt] versus getting three percent for savings."

Nearly all participants stated that they had insurance policies that were required by their circumstances, such as auto insurance for those who had a car and homeowners insurance for those who had a home and mortgage. Beyond the necessary coverage, many participants expressed that they would like additional policies, such as health or life insurance, but felt they

lacked both the information to obtain and the funds to afford them. Typical comments included:

- I would like to have life insurance, but we are not well informed about it. We would like to know more about kind of life insurance and stuff.
- It's hard as an independent contractor to find the right health insurance.
- I don't have [health insurance] right now because I left my last position, and my COBRA was insanely expensive.
- I have health insurance through my job, and I have two jobs, two part-time jobs. One gives me [health insurance, but] I have to pay \$500 for my whole family a month, and the other one I have to pay \$17 for my whole family.
- I don't know [where to go for insurance]. Possibly the same place where I have my car insurance to begin to ask about homeowners insurance, life insurance and other policies I don't know about. The truth is I haven't wanted to ask because of the money....We haven't been able to take that step, but we want to. For [our] own security and our family.

The discussion of health insurance was often heated and had pessimistic overtones. This was particularly true for Chinese immigrants, who conveyed a considerable amount of skepticism over the health-care system and health insurance in the United States based on their youth, previous health issues or comparative experiences in their native country. Those with such doubt in the United States health-care system completely disregarded the need for health insurance and sometimes advised friends and family to obtain medical services outside of the United States (by going back to China, for example). One participant commented:

When you really have problem, they (U.S. medical doctors and insurance companies) just shunt away their responsibility. When I found out this, I knew that there is no way for me to recover if I still waited for them. Then I chose to go back to China for treatment. Fortunately I made the right choice. If I insisted on waiting, I would have died now. Therefore, now I only have the car insurance. The health insurance is expensive and useless. This is the biggest problem in America.

The following interchange is an interesting reminder that insurance is an individualized product, based on the consumer's risk tolerance and other factors:

MALE VOICE: I worked with a financial planner. And I remember they were trying to push me into buying health insurance. But, I am still young enough to take my health for granted.

MODERATOR: So, you just decided that it wasn't a good time for you to work. Tell me more.

MALE VOICE: Right, so they were basically suggesting that you need to have health insurance. I personally think health insurance is a scam in this country. But, yes, I thought financial planning would be more how to take the resources I have and how to build on them, rather than having to outlay all these other expenditures at the time.

This discussion at the focus group also emphasizes the importance of educating clients about the role of assets and insurance in protecting assets. If clients see insurance premiums as just another expense, they may misunderstand the probability or severity of the risks they face.

Nevertheless, EARN alumni and comparison group renters face many pressures on their limited incomes and are likely to be sensitive to additional expenses that are not directly relevant to their current needs. Spending for financial plans, insurance and other long-term vehicles may be hard to prioritize. As one focus group participant said:

We try to project ourselves. We want something, like a house, or a car. We need this amount of money from the money we have, [that we] get monthly. How much can we take out of that monthly for expenses that we are going to have? So that is how we see it. We have this amount, we need this amount. So when we count it, how much do we have to pay in order to get it?

A particular pressure for families are the expenses of children. As one Spanish-speaking EARN alumnus put it:

We don't have a lot of reserve. We have a little and then the little reserve we have is going to go for those unexpected things, mainly for the children...One can eliminate many things, but not with the children. You can stop buying this or that, but not with the children.

Survey results echo these comments. Figure 18 illustrates that a lack of income and high expenses are viewed as most frequently preventing more savings. Housing costs and the expenses required by family and friends are also often cited. Transportation and the costs of debts are also a more frequent problem, especially for the non-EARN comparison group.

Figure 18

Barriers to Maintaining Savings or Investments			
1 to 4 scale, 1= never, 4 = almost always			
	EARN Clients	Non-EARN Target Clients	Non- Target Clients
No opportunities to earn more money in my primary job	2.93	3.15	2.77
I put all my extra money in paying off debts	2.85	3.05	2.55
My house/apartment costs too much	2.84	2.94	2.44
The cost of transportation is too much	2.84	2.79	2.33
Too many people depend on me to pay for things	2.83	2.58	2.52
I put all my extra money back into my business	2.83	2.36	2.05
No opportunities to earn more money outside my primary job	2.82	2.97	2.57
I need to spend more to keep up with my own basic expenses	2.67	2.88	2.51
The cost of my childcare is too much	2.65	2.42	1.98
I cannot seem to stop buying stuff	2.14	2.31	1.91

Source: 2006 SF-WFPS. n = 58, 170, 274

Conclusions

More than anything, the knowledge we get motivates us to keep finding more...[As] we receive more information, I pass it on.

The surveys and focus groups conducted for this project yielded rich evidence of the need for financial planning services. Overall, the results suggest that EARN alumni are able to save, even with limited incomes, and that EARN's education, ongoing support, and incentives are helpful for asset-building. EARN alumni are open to investing their money, but face formidable emotional, educational and economic barriers to entering the investment marketplace. Moreover, the majority of EARN alumni are distrustful of financial planners. Most would like continued support in managing their existing assets and acquiring new ones.

EARN alumni are eager to access new services from EARN and connect with each other. In terms of service delivery, they prefer face-to-face financial planning services with experts, and savings and investment accounts with constraints to prevent them from spending their assets without oversight. These data provide key insights that can help shape EARN's financial planning and investment services for low-income consumers moving forward.

Implications for Program Design

Education:

- Participants have a desire to stay connected with EARN and fellow alumni. But non-EARN clients also present a potential market for financial planning services.
- Some pre-financial planning sessions are required to prepare clients for one-on-one sessions with planners. These sessions can cover basic financial terms and reinforce budgeting strategies.

Planning:

- One-on-one sessions are important, although the needs of clients may be fairly standardized. The one-on-one session is an important “carrot” for participation, but need not be the first step.
- Clients do not need extensive interactions after an initial financial planning meeting, but do want quarterly “coaching” meetings and are willing to use Web-based tools.
- The racial background of the planner should be considered, but does not need to drive service delivery. Sensitivity to language and culture should be emphasized among planners and others involved in service delivery.

Fees:

- Clients are willing to pay for financial planning services, but not at the levels required in today's financial planning marketplace. Clients generally are willing to pay about one-third of market-rate fees.

Technology:

- Web-based technology—which will lower costs—can be used extensively for account management and to facilitate the planning and coaching processes.

Maintenance:

- Peer groups provide an important mechanism to continue participation in financial planning, although the groups will experience uneven cooperation levels.
- Peer-group sessions should be well targeted and clearly marketed. These groups might even form organically. For example, even at the focus groups, small business owners found similarities and were able to help each other with contacts and suggestions.

Financial Products:

- Clients do not need an extensive array of product choices, and in fact they prefer a very limited set of investment and insurance products.
- Clients need to examine their own 401(k) and other retirement options from their employers. Some may already participate without their active involvement. Others may have the option to participate but do not know how to proceed.
- Clients appear to need and want life, property, health and disability insurance, but are not well informed on these products and remain highly skeptical of the costs of premiums.

Immigrant Groups:

- Chinese and other immigrant groups are focused on small business and real estate investments. They see these as income and retirement vehicles. While financial planning will focus mostly on business planning and finance for this group, these clients would benefit from more traditional investment products, insurance and retirement accounts.

A typical service delivery package might include:

- Monthly workshops on specific topics for a nominal fee of \$5.
- Annual meetings with a financial planner for a fee of \$30.
- An initial written financial plan for a fee of \$40.
- Internet account management and planning tools as part of an annual fee of \$25.
- A small selection of mutual fund and insurance (life, health, disability) products with no loads, low expenses, low minimums and low fees.

Appendix A: Survey Background

A total of 502 surveys were completed between November 27 and December 15, 2006. Surveys were conducted online, including a sample of 119 EARN clients and a representative panel of 444 respondents from the San Francisco area provided by Market Tools, Inc.³ EARN clients without e-mail addresses were sent a paper version of the survey. Of the 58 EARN client responses, 19 were entered from paper forms submitted through the mail.

Because respondents from the EARN client database were more likely to be minority (74% vs. 29%) and lower income (median income of \$24,000–36,000 vs. \$36,000–48,000), comparisons between the general community and EARN samples have to be approached carefully. Data are categorized as being EARN clients, target clients or non-target clients. Target clients are defined as renters with incomes under \$72,000; 38% of non-EARN clients (n=170) and 66% of EARN clients (n=38) meet this criteria.

Overall Characteristics

EARN client incomes skew towards the lower end, but are distributed across all income brackets included in the survey. Clearly non-target clients, as expected, skew to higher incomes. These respondents will provide a useful comparison for “higher-end” financial planning clients (although only relative to the other groups). The group flagged as a potential comparison group, renters with incomes under \$72,000, skews slightly higher-income than EARN clients, but not by much.

Figure 19

Monthly Income	Monthly Income		
	EARN Clients	Non-EARN Target Clients	Non-Target Clients
Less than \$1,000	12%	9%	3%
\$1,000-\$1,999	40%	18%	10%
\$2,000-\$2,999	12%	29%	11%
\$3,000-\$3,999	10%	22%	19%
\$4,000-\$4,999	10%	11%	15%
\$5,000-\$5,999	6%	10%	18%
\$6,000 or more	10%	0%	24%
Number of observations	58	170	274

The EARN sample definitely includes a larger share of minority clients, although the comparison group is close enough to be useful. The EARN sample tends to be younger, with an estimated average of 38, compared to 44 for the comparison group. In general, all subjects in the survey were well educated. Fewer than 2% lacked a high school education, and more than half attended college, with more than one-third obtaining a 4-year degree. Finally, owning a home is rare among EARN clients, but more likely among the external panel. By definition the comparison group does not include homeowners.

³ The sample was restricted to residents of the greater San Francisco area with incomes below median. For more information, see <http://info.zoomerang.com/prodserv/sample/panelists.htm>.

Figure 20

Selected Demographics			
	EARN Clients	Non-EARN Target Clients	Non- Target Clients
African American	14%	5%	3%
Latino (any race)	20%	13%	8%
Asian	22%	19%	10%
Average Age	37	45	51
Graduated 4-year college	50%	37%	53%
Homeowner %	16%	0%	91%

EARN clients tend to have low savings and larger debts than the comparison group. Overall, levels of asset ownership are low.

Figure 21

Asset and Liabilities Distribution						
	Savings			Debt		
	EARN Clients	Non- EARN Target Clients	Non- Target Clients	EARN Clients	Non- EARN Target Clients	Non- Target Clients
None	21%	17%	2%	13%	15%	14%
Less than \$1,000	21%	18%	7%	17%	16%	11%
\$1,000–\$2,499	21%	7%	2%	10%	5%	4%
\$2,500–\$4,999	9%	9%	5%	8%	9%	2%
\$5,000–\$7,499	12%	9%	3%	8%	9%	3%
\$7,500–\$9,999	5%	2%	4%	2%	7%	2%
\$10,000 or more	12%	37%	78%	42%	39%	65%

Appendix B: Focus Group Protocol

Objectives

1. Document EARN IDA alumni's perceptions of and motivations for additional services;
2. Explore EARN IDA alumni's experiences with financial planning and services; and
3. Test EARN IDA alumni's perceptions regarding various methods that could be employed for marketing, designing and delivering financial planning and services.

Structure

EARN conducted six consumer focus groups with approximately 6 participants each, for a total of 37 participants. Focus groups lasted approximately 75 minutes each and were held in office space at EARN. Prior to the session, participants signed consent forms, received a small incentive payment and filled out a short survey. All sessions were audio-recorded digitally, transcribed and coded using Atlas.ti software for analysis. Sessions were formatted using a standard protocol, below:

Thank you for coming. Over the next hour and a half we are going to talk about how EARN can create better programs for IDA alumni like you. First let me say your comments will stay in this room. We do have a tape recorder, but that is mostly because we cannot remember everything you say. And what you have to say is too important for us to miss. We promise we will not cite anyone personally. Your privacy is important and we want you to be honest with us so we can learn as much as we can. You should have all filled out a survey and a consent form. If you have not had time to do this, please do so now. We need these in order to provide you with the \$30 gift card at the end to thank you for being here today. We are going to cover four major topics, each for about 10 to 15 minutes. The issues are: (1) your interest in financial services, (2) what barriers prevent you from accessing financial services on your own, (3) what your preferences might be for financial services offered through EARN, and (4) your interest in being part of an IDA alumni program. Let's get started.

1) Financial Services

- a. When you were a child how did you learn to save money? How do you manage and save money now?
- b. What has been the most useful tool you gained at EARN?
- c. What types of insurance policies do you have? What types of insurance policies do you think you need? How do you find insurance?
- d. What do you think about when you hear the phrase "financial planning"? How about "financial planners"?

2) Barriers

- a. What are your financial goals — 2 years? 5 years?
- b. Who do you turn to for financial advice?
- c. What do you think about when you hear the term "investing"? Is investing your money something you are excited to do, or does it make you nervous? Why?
- d. Are you saving for your retirement? How?
- e. How confident are you in your ability to make sound financial investments?

3) Delivering Services

- a. For those who own your own home, how could EARN help you to feel more secure in managing your home as an asset? For those of you who do not, how could EARN help?
- b. For those who own your own business, how could EARN help you to feel more secure in managing and growing your business? For those who do not, how could EARN help?
- c. How important are face-to-face appointments to you? Are you comfortable with computer-based training and tele-coaching?

- d. How important is it for you to receive services from someone who speaks the same language and is from the same cultural background as you?
- e. Would you be willing to pay for financial planning services? How much would you be willing to pay? How often? How important is the cost of financial advice or services to you?
- f. Which is more appealing: having an unlimited number of investment products to choose from, or having a limited set of targeted products? Why?

4) Alumni Association

- a. Would you be interested in participating in a peer network of EARN alumni?
- b. Would you feel comfortable sharing information about your financial goals and your financial health with a group of EARN alumni? Would you feel more comfortable if the group was made up of folks from your community or your own gender?
- c. What activities would you be interested in participating in as part of an alumni group?

5) Conclusion

- a. What changes would you like to see at EARN in order to better serve EARN Savers?

Appendix C: Key Topics from Focus Groups Coded Using Atlas.ti

Code Summary by Focus Group							
	FG-1 African Americans	FG-2 English- Speaking Latinos	FG-3 Mixed Ethnicity	FG-4 Mixed Ethnicity *	FG-4 Chinese Speaking #	FG-4 Spanish Speaking	TOTALS:
Account Management	3	7	13	41	0	6	70
Advice	2	5	8	29	3	9	56
Alumni	16	9	8	65	1	6	105
Banks and financial institutions	3	3	7	33	4	11	61
Budgeting	3	0	1	10	0	4	18
Credit	10	5	7	30	2	4	58
Debt	10	8	6	28	0	2	54
Education/School	8	6	17	60	4	22	117
Emergencies	5	0	1	8	1	1	16
EARN	0	2	2	10	0	3	17
Face-to-Face Sessions	6	5	1	30	1	2	45
Financial Planning	9	11	17	67	4	4	112
Health and Health Care	7	11	11	66	9	17	121
Homeownership	9	22	22	80	1	11	145
Insurance	13	20	0	132	14	33	212
Investing and Investments	20	15	17	118	13	21	204
Mutual Funds	3	1	0	7	0	2	13
Priorities	2	2	1	16	0	10	31
Race and Culture	1	2	5	21	0	5	34
Retirement	6	8	8	53	0	10	85
Risk Taking	3	14	10	38	0	10	75
Savings	16	13	31	71	1	9	141
Service Delivery	9	11	19	64	10	5	118
Small Business	8	10	87	171	15	23	314
Stocks	0	0	5	7	0	1	13
Technology	11	7	3	63	4	11	99
Trust	4	3	8	36	1	5	57
Work or Employer	16	16	65	117	5	25	244
Total Codes	203	216	380	1,471	93	272	2,635
Total Paragraphs	223	242	420	1,641	102	306	2,934

* This session had a larger number of participants and was longer in duration than the others.

This session had a smaller number of participants and was shorter in duration than the others.