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Appalachian Savings Project: Year 1 Outcomes

Collin O'Rourke and J. Michael Collins, PolicyLab Consulting[1]

Introduction

This brief summarizes outcomes from the first year of the Appalachian Savings Project, which concluded in December 2013. The Women's Institute for a Secure Retirement (WISER) developed the Project to improve the financial security of childcare workers in the mid-Appalachian regions of Ohio and West Virginia. Federal data show that the average wage for childcare workers in the area is less than $8.50 an hour.[3] The childcare workers who participated in Year 1 were self-employed, so they lacked access to workplace benefits aside from those of a spouse.

The Project builds participants' financial security by encouraging them to save through two components:

- A 50% match for the purchase of Series I U.S. Savings Bonds (up to a $500 match). Participants use automatic debits to purchase savings bonds through TreasuryDirect.gov.
- Quarterly financial education workshops, which cover topics around savings, retirement, and other issues relevant to participants. Participants could receive credit towards their childcare licensing continuing education requirements for attending the workshops.

The savings match is intended to simulate the Saver's Credit, a federal tax credit for lower-income households that contribute to qualified retirement accounts. The Project promotes I Bonds because they are a low-risk savings vehicle that offer higher returns than savings accounts while protecting against inflation. Currently, savings bond purchases through TreasuryDirect.gov do not qualify for the Saver's Credit. Thus, the Appalachian Savings Project is a novel attempt to combine two existing financial resources, the (simulated) Saver's Credit and U.S. Savings Bonds, to enhance low- to moderate-income households' financial security.

Key Findings

- Participants saved an average of $642 before receiving the savings match.
- Participants' self-reported savings in U.S. Savings Bonds increased from an average of $63 to $908.
- Savings bonds proved to be appealing to participants, who compared savings bonds favorably against other products.
- Participants planned to use the savings they had accumulated in retirement, but the savings bonds remained available for emergencies.
- Both the savings match and the workshops attracted participants to the program.
- Participants are highly satisfied with the program and look forward to continuing onto Year 2.
- Participants had minimal feedback about how to improve TreasuryDirect.gov.

The next section of this brief overviews the research process. Then, we present information on participants' backgrounds, followed by key results from Year 1 and program feedback. We then discuss findings from a survey of childcare workers in the program area who did not participate in the program's first year. The brief then turns to next steps for 2014 and concludes with a synthesis of the Year 1 results.

Research Process

PolicyLab worked with WISER over Year 1 of the Project to collect information to begin to understand the effects of the program on participants' financial security. Information was collected from three sources:

1. *Participant survey*. Participants completed a survey at the beginning of the program and one year later,

[1] Corresponding author corourke@policylabconsulting.com
[2] The full report on Year 1 of the Appalachian Savings Project is available here.
[3] The average hourly wage for childcare workers in the Parkersburg-Marietta-Vienna WV-OH area is $8.27, based on BLS data (code 399011).

after they had received their savings match. The survey asked participants about their financial management practices and account balances. A copy of the follow-up survey is available here. WISER administered the survey and provided de-identified data to PolicyLab. All six individuals who participated in the program and received a savings match completed the survey.

2. *Participant interviews*. To supplement the findings of the participant surveys, PolicyLab interviewed four participants after they had received their savings matches.
3. *Nonparticipant survey*. WISER and local partners surveyed 25 childcare workers in the program area who did not participate in the Project's first year. This "nonparticipant survey" provides insight into the population WISER seeks to reach through the program, including barriers to participation.

The findings presented in the following sections are drawn from these three data sources.

Participant Backgrounds

Table 1 displays demographic information for the six participants who completed the program and received the 50% savings match. The information in the table was collected on the baseline survey.

Table 1. Participant Backgrounds

	Baseline Survey
Age	
Average	46
Range	39-59
Highest educational attainment	
High School or Equivalent	1
Some College or an Associate's Degree	5
Employment status	
Full-time	6
Self-employed	6
Monthly take-home income	
$2,000 or less	3
$2,001 or more	3
Average [1]	$1,934
Total number of individuals in household	
Average	3.17
Range	1-5

Notes: n=6. 1. See the full report for information on how average monthly income was estimated.

Participants' ages ranged from 39-59 and averaged 46. One participant had completed high school or the equivalent, and five had attended some college or received an Associate's Degree. All six of the participants worked full-time when they completed the baseline survey. For Year 1 of the program, all participants were self-employed. WISER limited the program to self-employed individuals during the program's first year but will extend the program to childcare center employees in 2014. Three participants had monthly take-home incomes of $2,000 or less, and three had monthly take-home incomes greater than $2,000. We estimate that participants' average monthly take-home income was $1,934, which is about $23,000 annually. Participants lived with an average of just over two other people.

Savings Outcomes

The primary objective of the Appalachian Savings Project was to enhance childcare workers' financial security by encouraging them to purchase Series I U.S. Savings Bonds. Savings outcomes for the six participants are available from three sources, which are displayed in Table 2:

A. *WISER administrative data.* WISER provided data on the amount each participant saved and the corresponding match.
B. *Self-reported U.S. Savings Bond balances*. The baseline and follow-up surveys asked respondents to report how much they had saved in savings bonds.
C. *Total saved through the program*. The follow-up survey asked respondents to report the total amount they had saved due to the program. The question was intentionally broad so respondents could include savings they may have accumulated beyond their savings bond purchases.

Participants saved an average of $642 before receiving the 50% match. Pre-match savings ranged from $500 to $1,050. The average match of $317 is slightly less than 50% of $642 because one participant saved more than $1,000 and reached the $500 match limit. Combining participants' savings with the match, participants accumulated an average of $959 in savings bonds.

Participant's self-reported savings bond balances at the beginning and end of the program parallel WISER's administrative data. Self-reported savings bond balances increased from an average of $63 to $908 over the course of the program, an increase of $845. Participants reported that they saved a total of $1,108 due to the program. Because this figure is greater than the amount they had saved in savings bonds, it suggests that participants may have saved money beyond their savings bond purchases due to their involvement in the program.

Table 2. Participant Savings

	Average	Range
A. WISER administrative data on U.S. Savings Bond balances		
Individual savings	$642	$500-1,050
50% match ($500 cap)	$317	$250-500
Total savings	$959	$750-1,550
B. Self-reported U.S. Savings Bond balances		
Baseline Survey	$63	$0-150
Follow-up Survey	$908	$700-1,130
C. Total savings attributed to the program	$1,108	$700-2,000

Notes: n=6 for measures A and C. n=4 for measure B. WISER provided measure A, measure B was collected on the baseline and follow-up surveys, and measure C was collected on the follow-up survey. U.S. Savings Bond balances (B) are only available for the four participants who completed the relevant question on both the baseline and follow-up surveys.

Prior to the program, none of the interviewees had purchased savings bonds for themselves, but they had some familiarity with savings bonds. By December 2013, all of the interviewees had become strong proponents of savings bonds. Two participants like the fact that savings bonds are more difficult to access than savings accounts, a feature that helps them build savings. Participants compared savings bonds favorably to alternatives such as CD's and savings accounts. Each interviewee planned to continue purchasing savings bonds, which was supported by their unanimous intention to participate in Year 2 of the program. Interviewees planned to wait until retirement to use their savings bonds, though one also mentioned that savings bonds remain available as emergency savings.

Participants entered the program with limited familiarity with U.S. Savings Bonds. By the end of the program, all interviewees were strong proponents of savings bonds, comparing them favorably to alternatives including savings accounts, CD's, and whole life insurance.

All of the interviewees indicated that their savings had increased since the start of the program and that the 50% match was motivating. Isolating the exact effect of the 50% match is difficult, as three interviewees mentioned other factors aside from the program that had affected their savings rates over the course of Year 1. The program clearly encouraged participants to purchase savings bonds, and the anticipated increase in the number of participants in Year 2 will allow us to explore the effects of the 50% match more precisely.

Participant Feedback

Based on the survey and interview responses, participants were highly satisfied with the program. Five of the six survey respondents were likely or very likely to recommend the program to a family member, friend, or coworker, and all four interviewees planned to continue onto Year 2 of the program in 2014.

Sample feedback from participants:

"I would love to see this program continue! Saving has become simpler for me, and I have learned a great deal."

"The goals of this program are great, and for the short amount of my time required the rewards are huge."

Participants found the information in the workshops to be quite useful. Importantly, two of the four interviewees stated that they were initially drawn to the program because of the information they stood to learn, not the savings match. Information about Social Security, Medicare, and wills proved to be most useful. One participant also found information about TreasuryDirect to be among the most useful. An interviewee who attended the workshops via webcast suggested that WISER rotate the location of the in-person workshops.

Participants found TreasuryDirect to be straightforward to use and offered little feedback about how to improve it. One participant suggested that TreasuryDirect accept debit cards as a payment mechanism in addition to bank account debits and payroll deductions.

Insights from the Nonparticipant Survey

Respondents to the "nonparticipant survey" were all childcare workers from the program area who did not sign up in Year 1. Their survey responses provide more information about the population WISER is trying to reach through the Project, including the reasons why individuals may not get involved. Nonparticipants will receive a follow-up survey in the second quarter of 2014. Once that survey is complete, we will be able to compare outcomes between participants and nonparticipants.

Overall, the responses to the nonparticipant survey highlight the financial vulnerability of childcare workers in the area served by the Project. Nonparticipants' estimated average monthly take-home income is $1,439, which is $17,268 annually. Sixty percent of respondents work full-time. Four of the twenty five respondents (16%) have U.S. Savings Bonds, perhaps more than expected; the highest balance listed among those four is

$200. Eighty percent of respondents have checking accounts, and 60% have savings accounts. In contrast, only 16% have retirement accounts, and none have any another form of savings beyond those already listed. Only one-in-four have emergency savings that would cover their expenses for three months. About 30% have student loans, with similar percentages reporting that they have medical debt and credit card debt. One-in-three use automatic deposits to put money toward long-term savings.

In terms of respondents' reasons for not participating in Year 1 of the Project, the overwhelming finding is that they were unfamiliar with the program. Only three of the respondents had heard of the program, and one had talked about the Project with somebody who participates in the program. When asked to select the reason(s) why they do not participate, a majority of responses (22 of 28) cited a lack of familiarity with the program or WISER. Six nonparticipants indicated that they had no money to put towards long-term savings. When asked to list potential questions or concerns about the program, the only issue raised by several respondents was the logistics of the workshops.

One of the unforeseen consequences of the survey was raising awareness and interest in Year 2 of the program. WISER reports that the survey ended up serving as a recruitment mechanism for the Project's second year. WISER expects several individuals who completed the survey to join the program. Interest in the program is also supported by the fact that 15 of 21 respondents indicated they would be likely or very likely to put $500 in a long-term savings account if they received a $250 match. This finding indicates strong general interest in the savings match component of the program.

Next Steps

WISER will start Year 2 of the Appalachian Savings Project in the first quarter of 2014. WISER is modifying certain aspects of the program based on its experiences in Year 1, most notably by extending the program to individuals who work at childcare centers. Year 1 was limited to self-employed childcare workers. The core elements of the program, the savings match and the requirement that participants attend financial education workshops, will remain in place.

By extending the program to childcare center employees and adjusting the outreach strategy, WISER intends to expand the program significantly in Year 2. This expansion will allow for more data to be collected through surveys and interviews. As the sample size increases, we will be able to offer more detailed estimates of the effects of the program on participants' financial security. All of the Year 1 participants plan to participate in Year 2, so there will be additional opportunities to follow-up with them. Nonparticipants from Year 1 will receive a follow-up survey in the second quarter of 2014. Once that survey is complete, we will be able to compare the nonparticipant and participant surveys, shedding further light on the program's effects.

Conclusion

Year 1 of the Appalachian Savings Project demonstrates the promise of combining a simulated Saver's Credit with the purchase of Series I U.S. Savings Bonds. Savings bonds proved to be an appealing product for the target audience. The program successfully encouraged low-wage childcare workers to save significant amounts of money. Participants saved an average of $642 before receiving the 50% match, a substantial amount given the hourly wages of childcare workers. Participants were committed to continuing to purchase savings bonds. Using TreasuryDirect.gov did not prove to be challenging for participants, though the program did provide specific training on how to use it.

Currently, purchases of U.S. Savings Bonds through TreasuryDirect.gov do not qualify for the Saver's Credit, and many of the retirement accounts that do qualify are unavailable to self-employed individuals. The findings from the Appalachian Savings Project suggest that savings bonds are an appealing product for lower-income households interested in building longer-term savings. None of the interviewees planned to use the funds they accumulated in the immediate future, indicating that the program was instilled with a sense of building one's longer-term financial security. One interviewee did note that the funds remain available as emergency savings, an important point given the significance of having sufficient funds to cover unforeseen expenses. R-Bonds, a proposed U.S. Savings Bond with the same tax advantages as Individual Retirement Accounts, represent a potential opportunity for extending the Saver's Credit to savings bonds.

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