

Making Household Saving A Priority

Stephen Brobeck
Consumer Federation of America
February 1999

INTRODUCTION

With the decline of the U.S. savings rate to near zero last year, household asset accumulation warrants greater attention as a national priority. Until recently, low household savings has received limited attention from government officials, the press, and nonprofit organizations, much less than that of continuing campaigns to reduce smoking, curtail drunk driving, use safety belts, test homes for radon, practice safe sex, "say no" to drugs, and even, despite low oil and gas prices, conserve home energy.

This neglect of household savings is especially troubling because most low- and moderate-income households have accumulated few assets that will allow them to survive financial crises and sustain levels of living into retirement. With no or low assets, these families have difficulty investing in a home, car, education, or a business that can help them improve their economic condition. In the absence of such improvement, the larger society may pay a high price ranging from larger income transfers to greater crime-related costs.

Two groups of institutions stand out for their efforts to promote household saving. One group is led by The Ford Foundation, which has committed substantial resources to helping low- and moderate- income households build assets. Ford's initiative has two parts: first, increasing homeownership and, eventually, home equity among these families; and second, building private savings, especially through Individual Development Accounts (IDAs). Not only has Ford funded dozens of non-profit organizations to work toward these goals; it has also helped persuade large financial institutions and other private foundations to participate in its initiative.

A second effort is led by the American Savings Education Council (ASEC), which has been a catalyst in promoting savings and retirement planning among all households. The coalition that ASEC represents includes such diverse groups as investment firms, the U.S. Securities and Exchange Commission, and the American Association of Retired Persons. Also part of this group is the Cooperative Extension System, which sponsors a savings/debt reduction program, Money 2000, whose general goal is quite similar to that of The Ford Foundations's asset development initiative. ASEC helped to organize last June's House/Congressional National Summit on Retirement Savings at which the President, Senate Majority Leader, and Speaker of the House spoke. While members of the ASEC coalition have not yet focused much attention on the least affluent, most recognize the need

for this targeting of low- and moderate-income households.

The premise of this paper is that asset development efforts directed at the least affluent will have limited effect unless this development becomes an important national goal whose values are incorporated into America's dominant culture. Once such an incorporation occurs, a broad array of institutions and individuals will promote savings -- policy makers will make household savings a priority; schools will add the topic to their curricula; small employers will show greater interest in introducing and promoting retirement programs; financial institutions will develop and aggressively market savings products for low- and moderate-income workers; and most importantly, individual households will make far greater efforts to build assets and teach their children to do the same.

The principal purpose of this paper is to explore strategies for making asset development a societal priority. Most of these strategies have been employed in other campaigns to reform institutions and individuals. Many of these strategies are utilized by what marketing experts call social marketing. This paper will also explore the role of various organizations, especially those already promoting savings, in placing asset development on the agendas of the nation and its 101 million households, especially the more than 40 million units with low or moderate incomes.

The paper will begin by outlining the problem -- the importance of asset accumulation and the paucity of wealth accumulated by most American households, particularly the least affluent. It will then review research that seeks to explain these low levels of asset development. Subsequently, the paper will discuss the relevance of social marketing and related campaigns to the development of savings strategies. Finally, it will propose strategies for making saving, especially among lower income groups, an important national priority.

[Back to Top](#)

THE SAVINGS CRISIS

Most Americans have tended to judge their own affluence, and those of others, by level of income and products purchased with this income. Their judgements about their economic well-being and that of others are strongly influenced by knowledge of their annual incomes, and the homes, cars, and clothing that money will purchase.

For most households, income is the most important source of wealth. During the course of their lifetime, a family with income of around \$45,000 can expect to receive, in current dollars, nearly \$2,000,000. During the past several decades, American households have allocated, on average, more than 90 percent of this income to consumption. But whether they have saved, say, two percent or ten percent can have a dramatic impact on their levels of living during the lifetimes of

their members. Assuming the relatively high average annual return of 8 percent, over a 40-year period the household that saves \$10 a week (\$520 annually) will accumulate \$151,277 while the family that saves \$75 a week (\$3,900 annually) will accumulate \$1,134,578.

This saving critically affects lifetime levels of living and well-being. It of course helps ensure adequate income after retirement -- not just because it supplies gross income but also because, if used to purchase a home and pay off the mortgage, it can dramatically lower housing expenses. Savings, however, also helps households meet financial emergencies -- large unexpected income losses or expenses -- well before retirement. Savings can be drawn down, or assets can serve as collateral for reasonably priced loans, that help families meet these emergencies. Beyond these necessities, adequate saving helps households improve themselves and their children. These funds can be used, for example, to pay for education or invest in a business. In brief, members of households without adequate savings subject themselves to extraordinary financial risks during the course of their lifetimes and lack resources to improve their economic condition and that of their children.

In this context, the lack of adequate saving by many American families, including the large majority of low- and moderate-income households, is deeply troubling. Other than increasing earnings, most Americans can accumulate assets effectively in three ways: they can build home equity through the purchase of a home; they can save for retirement through employer retirement programs and IRAs; and they can save for major pre-retirement expenditures related to emergencies, education, or deferred consumption (e.g., new car). (A fourth way Americans can build substantial assets is through inheritance, but few lower income Americans receive much wealth from this source and may not have access to these resources until retirement years.) The data that measures these assets most accurately for low and moderate income households are collected by the U.S. Bureau of the Census through its Survey of Income and Program Participation (SIPP). Those data try to capture all assets except accumulations in employer defined benefit programs (i.e., a subset of pensions). (The other major source of wealth data is the Federal Reserve Board's Survey of Consumer Finances.)

According to Census data, as analyzed by Capital Research Associates, in 1995 the median net financial assets of households were only \$1,000. That is, the typical household held -- after consumer debts were subtracted from all cash, bank and stock savings, defined contribution retirement plans, and other financial assets -- practically no assets at all. For the 43 percent of households with incomes under \$25,000, net assets barely exceeded \$100. In fact, the 40 percent of households with the least assets had negative financial assets -- their consumer debts exceeded their gross assets.

Adding home equity accumulation to net financial assets to arrive at net worth does not improve the picture significantly. In 1995, according to the analysis by Capital Research Associates, median household net worth was \$35,459. Significantly, the

43 percent of households with incomes under \$25,000 held less than \$10,000 of median net worth. And, the 40 percent of households with the least assets held median net worth of less than \$5,000.

To complete this dismal picture, wealth apparently has been declining for the least affluent. In a recent paper on trends in wealth ownership (using Survey of Consumer Finances data), Edward N. Wolff reported that, between 1983 and 1995, the least wealthy 40 percent of households had suffered losses (in constant dollars) of 68 percent in financial wealth and 80 percent in net worth. Much of this decline, it appears, reflects the failure of these households to save, the low return on the assets they did hold (chiefly, homes and bank deposits), and increasing consumer and second mortgage debt.

As low as these net assets are for the typical American household, the net wealth of many groups is much lower. That is especially true for the typical African-American and Hispanic households (Oliver and Shapiro).

There is the possibility of one mitigating factor that is not measured by wealth data -- defined benefit pensions that, together with social security benefits, could provide an adequate level of living for the least affluent during retirement years. Unfortunately, the available evidence suggests that most low- and moderate-income households hold low or no pensions. According to the Employee Benefit Research Institute, only 19 percent of workers earning less than \$15,000 annually participate in any type of retirement plan at work. For the lowest income quintile of the over 50 population, median income from private pensions is \$1,752; in the second lowest quintile the median private pension income is \$1,764; and in the middle quintile it is \$4,356.

[Back to Top](#)

THE SAVINGS POTENTIAL

In addressing the savings crisis, a threshold question must be considered -- can low- and moderate-income households afford to build wealth? After all, research and common sense suggest that the least affluent have relatively little discretionary income that can be allocated to asset development.

While no researcher has argued that it is as easy for lower income households as more affluent households to save, there is ample evidence that low- and moderate-income families can build assets. Most importantly, research suggests that some of these households do save. In her 1998 review of research on savings for the American Association of Retired Persons, Sophie Korczyk noted that "even among the lowest-income households, many people save, and some people save a great deal more than others." In a 1997 working paper for Washington University's Center for Social Development, Sondra Beverly reached the same conclusion. Research completed in 1997 by Princeton Survey Research Associates for

NationsBank and the Consumer Federation of America found that, even among households with incomes of \$20,000, those with a financial plan saved twice as much as those without one.

Much of this saving has been through the build-up of home equity. In 1995, according to the Fed, 37 percent of households with income under \$10,000 and, 56 percent of households with incomes between \$10,000 and \$25,000, owned a home. These low- and moderate-income households, many of them elderly, had accumulated median home equity of more than \$40,000.

There is also other evidence that the least affluent have the ability to save at least modest amounts even if they do not do so. Some of these households spend relatively large sums on high-cost loans, lotteries, alcohol, cigarettes, entertainment, and other discretionary items that could, at least in part, be allocated to asset development.

In evaluating variation in savings among low-income households, Beverly discussed the role of demographic, psychological, sociological, behavioral, and institutional factors. She suggested that opportunities and constraints (whether real or perceived) influence behavior at least as much as individual characteristics such as motives and preferences. She singled out institutional mechanisms that facilitate and reward saving as worth particular attention by researchers. Most lower income households lack access to institutions which subsidize saving, such as tax deductions for mortgage interest payments and tax-deferred and/or employer matched pension plans.

John Caskey's 1997 anthropological research for the Consumer Federation of America on the savings behavior of lower-income African Americans and Hispanics concluded that both opportunity and motive help explain lack of asset development. While almost all of those studied had access to traditional banking institutions, they received no encouragement from these providers to save money. At the same time, many in the two sample populations believed that savings would make them ineligible for government subsidies. And, most of those studied were not aware that saving modest amounts over an extended period of time could result in asset accumulation of tens of thousands of dollars. Even if they had this knowledge, most of the sample were under considerable social pressure to use any savings to meet the financial needs of family and friends. As a result of these and related factors, the communities and subcultures in which the subjects participated placed a relatively low value on saving.

This lack of social acceptance of saving is a factor that deserves more attention. Given the influence of peer pressure, if family and friends not only do not encourage saving but even actively discourage it, is it any wonder that only a minority of those participating in social groups that do not value saving actually accumulate substantial assets? If the culture in which individuals participate ranks saving as a low priority, should we be surprised that most lower income households

save little? It is striking that some programs offering heavily subsidized IDAs have had difficulty recruiting participants. Even when some lower income households are offered savings products with astronomical yields, these households are reluctant to defer any current consumption. (The decision of most middle-income households to save little money through universally available IRAs, offering attractive long-term, after-tax yields, illustrates the same point.)

This paper argues that the emphasis on and opportunity for debt-financed consumption, together with the lack of a strong saving ethic in the dominant culture, help explain America's low household savings rate. Over the past decade, the marketing of products has grown more sophisticated. Advertising expenditures have grown more rapidly than GDP while direct mail and telemarketing expenditures have risen even more quickly. In the same period, low- and moderate-income households have gained greater access to credit allowing the financing of consumption. Just in the past five or six years, credit card lenders have begun targeting large numbers of lower income households. In a 1997 survey conducted by Opinion Research Corporation, more than 50 percent of low- and moderate-income card-carrying households said they were having "a great deal of difficulty making monthly credit card payments." These families had a limited ability to build assets.

Two examples help make this general point. American households saved at a rapid rate during World War II because leaders emphasized its importance -- mainly through a savings bond campaign -- and because consumption was not attractive -- relatively few goods were available. Today in Japan for example, there are plenty of consumer goods available, but the saving ethic is so strong that most households are reluctant to splurge on debt-financed consumption. Yet, before World War II Japan's saving ethic was much weaker.

These two examples, and many others that could be cited, suggest that a saving ethic is highly variable, not determined by factors such as race, place, and the past. If so, it is reasonable to conclude that a concerted societal effort could greatly strengthen the saving ethic of American households and the country as a whole, setting in motion a "virtuous circle" in which many factors combined to encourage asset development. In such an America, parents would encourage their children to save, schools would instruct students on the importance of saving and how to do so effectively, employers would offer and encourage retirement savings options, the news media would report extensively on the extent to which Americans were saving successfully, and public officials would continually stress the importance of this saving to the country's welfare and put in place public policies that facilitated such saving.

In lower income communities such as those studied by Caskey, a significant percentage of households would save and be encouraged to save by the dominant culture. Consequently, these savers would face less pressure from friends and family for contributions to emergencies. Non-savers would, unlike today, be

expected to save and have available institutional mechanisms for doing so relatively easily. Because of greater savings accumulation within the community, when non-savers needed short-term financial assistance, it would be more readily available.

[Back to Top](#)

THE SOCIAL MARKETING APPROACH

Establishing a new norm (or expected behavior) in society at large is an ambitious undertaking. According to two marketing experts (Bloom and Novelli), it requires more ingenuity and imagination than is needed to sell products. But efforts to change the culture can succeed. Largely because of social marketing initiatives, Americans smoke less, drive drunk less frequently, wear safety belts more frequently, eat less saturated fat, practice safer sex, and use recreational drugs less frequently than they did twenty years ago.

Social marketing involves using research to develop strategies for changing societal behavior that usually include education, persuasion, and social influence (see Andreasen). These strategies recognize that individual decisions to change behavior are largely influenced by three factors: an analysis of personal costs and benefits; perception of the expectations of others; and an evaluation of whether one can succeed in changing behavior. Past social marketing efforts have important general implications for any campaign to increase household asset development. These implications include the following.

First, the campaigns take many years to succeed. Evidence of actual behavioral change may not be evident for a year or two. Significant societal change may take five or even ten years to occur. These changes typically involve only 10 to 20 percent of the population. (Still, that is 10 to 20 million households.)

Second, successful campaigns tend to emphasize consequences that are both negative and positive, and short-term and long-term: For instance, smoking makes you less personally attractive and represents addictive behavior; not smoking will help you live longer, make you feel better, and save you money. Or, driving drunk is illegal and could get you in a lot of trouble with law enforcement; driving drunk threatens friends and loved ones; preventing friends from driving drunk is an act of friendship. Or, taking recreational drugs is a self-indulgent act that will cost you money, cause you to lose control, and seriously damage your health. Research suggests that negative consequences are most successful for getting the attention of people while positive consequences are most effective at convincing them to actually change their behavior.

Third, as the campaigns progress, the change in behavior often accelerates. That is because the growing strength of the norm itself provokes additional change. Research suggests that the "tipping point" occurs when approximately one-half the

community have changed their behavior. This acceleration can be seen most powerfully in changes in smoking behavior. As late as the 1960s, smoking was the "cool" thing to do in most of secular society (mainly religious fundamentalists proscribed it). Today, the dominant culture considers smoking to be so foolish and socially irresponsible that, except among some rebellious youth, in most of the middle class it is shameful to be known as a smoker.

Fourth, successful campaigns are integrated and coordinated. In the 1980s, Mothers Against Drunk Driving (MADD) took the lead in building a national movement. In the mid-1980s, the Advocacy Institute helped coordinate efforts among disparate anti-smoking advocates. In the early 1990s, when the gay community recognized that AIDS was a killer, its leadership mobilized so effectively that, today, the nation's AIDS education focuses mainly on the least affluent and minorities.

Fifth, these campaigns are helped by the development of powerful, relentlessly communicated messages. These messages are usually short, memorable, and motivational -- in themselves, they tend to encourage behavioral change. "Just say no" (to drugs); "buckle up"; "smoking causes lung cancer"; "eat right to stay fit"; "friends don't let friends drive drunk." But these messages serve the additional function of giving focus and prominence to the campaign. Individuals often fail to connect disparate efforts by different groups directed at the same goal. Once they remember a message, however, they are more likely to understand and remember associated activities.

Sixth, both national and local efforts are essential. At the national level, general strategies, messages, and materials should be developed; national spokespersons should be recruited; media coverage through news, public service announcements, and possible paid ads should be generated; and efforts in local areas should be coordinated and evaluated. While these countrywide activities raise awareness, they rarely in themselves produce behavioral change. Typically, the most effective work takes place at the local level. Most importantly, programs need to be developed that touch people individually at work, in public places, in schools, in neighborhoods, and in the home. These programs are more likely to be successful if individuals not only can receive individualized assistance but also are convinced that family, friends, fellow workers, other members of social groups, and/or the entire community expect behavioral change.

Seventh, public policy can provide critical support for changes in behavior. State and local safety belt use requirements were instrumental in persuading tens of millions of drivers to buckle up. Tougher drunk driving laws and stricter enforcement of these regulations played important roles in reducing drunk driving. Laws restricting smoking in public places may represent the most effective communication of societal disapproval of this smoking. These types of public policy do much more than seek to inform or persuade; they actually mandate behavior.

Eighth, each campaign is unique, reflecting differences in type of goal, target population, available resources, and other factors. That is especially true of campaigns to change financial behavior because the large majority of social marketing campaigns have sought to influence health and safety-related behaviors. Thus, developing a campaign to increase household saving cannot assume that successful campaigns to reduce smoking or drug use offer reliable guideposts.

The fact that most social marketing campaigns have been directed at improving health and safety or reducing related threats needs comment. Take the most ambitious U.S. social marketing initiative -- the reduction of smoking. Anti-smoking efforts were motivated primarily, not by a desire to reduce economic costs, but by the desire to prolong life. In fact, by shortening life and reducing societal resources that are spent during retirement years, smoking may actually reduce these expenses.

One may be tempted to assume that it is far easier to change behavior affecting health and safety than that affecting finances. Such a conclusion, however, is dubious. Anti-smoking advocates faced two huge obstacles. The first was resistance from smokers who were physically gratified by and often addicted to smoking. The second was ferocious opposition by the tobacco industry. Because of smoker denial and industry obfuscation of scientific research, it was difficult for advocates to convince heavy smokers that they were taking about ten years off their lives. Even many smokers who understood this harsh reality found it impossible to quit or decided to trade off these years for the pleasures of smoking.

Advocates of increased saving, even among lower income groups, do not confront such substantial barriers. While debt-financed consumption is pleasurable, it does not appear to be physically addictive. In addition, there is no well-organized opposition to asset development. Although increased saving would certainly reduce the income of credit card lenders and probably depress retail sales somewhat, it is extremely unlikely that these businesses would make concerted efforts to oppose asset development. In fact, the leading credit card lenders -- a few big banks -- have somewhat conflicting goals since they sell savings and investment products as well as loans. And some types of credit, mainly first mortgage loans, can be used to build wealth. (One of the most visible savings initiatives of the past several years was initiated and funded by NationsBank, which collaborated with the Consumer Federation of America on joint research, public education, and community outreach.) Apart from lenders, most financial services companies, especially investment firms, would benefit greatly from increased household saving.

It is true that, for most people, building wealth is not as important as preserving health and safety. But many can be convinced that asset development should be a high priority in their lives, and not just because of related economic benefits. Wealth building can also confer psychological benefits. Individuals who accumulate assets can achieve some of the same satisfactions as do business persons who accumulate capital. For many, attaining a savings target -- \$10,000,

\$100,000, \$1,000,000 -- can be gratifying in and of itself. Most upper and upper middle income households have already experienced some of these economic and psychological benefits. Our challenge is to help confer these benefits on lower income households as well. That will only occur widely, it appears, if the dominant American culture places a higher value on wealth building.

[Back to Top](#)

SAVINGS STRATEGIES

The following discussion loosely weaves together ideas for promoting more effective asset development, especially among lower income groups. It includes suggestions for message development and delivery, grassroots community outreach, policy advocacy, and coalition-building.

It is important to ground these strategies as much as is feasible in research. Messages and their packaging should be tested on focus groups. Community outreach in specific communications should be reviewed by community leaders and educators. And the effects of all efforts on savings behaviors should be examined and traced. This assessment should be used as the basis for a periodic review of the effectiveness of general and specific strategies.

Message Development: Messages must convince households both that they need to save and that they are capable of doing so. That addresses two of three key decision-making factors. (The third, societal expectation, is mainly influenced by the percentage of households who value and succeed at saving.) A mix of negative and positive messages may be most effective.

The key negative messages are that the large majority of American households have not saved enough to meet their projected financial needs and that a significant minority have saved practically nothing at all, with potentially disastrous consequences. These consequences should be spelled out, expressed in personal terms, and repeated frequently.

One effective way to disseminate these negative messages is to release to the press a series of reports on societal savings inadequacy and its personal costs. One set of reports could discuss the best data available about asset accumulation. That data has been collected by the Bureau of the Census and the Federal Reserve Board. (In the past couple of years, financial services companies have released a number of studies of household savings. The findings of these reports do not always agree largely because most are based on surveys utilizing relatively brief interviews with subjects. As a result, while useful, these studies are not considered nearly as authoritative as those based on Census or Fed data.)

A second set of reports could profile households who suffered as a result of inadequate savings. It would be particularly effective to compare two sets of similar

households who differ in only one respect -- one set saves adequately while the other set does not. Demonstrating that the non-savers are far more likely to experience financial crises, spend far more on high-priced credit, lack the ability to make "capital expenditures" (i.e., education and training), and face bleaker retirement years would help personalize the importance of asset development.

The key positive message should emphasize that, if all assets including home equity accumulation are counted, nearly all households can save relatively large amounts. An example of such a message is: "You can save at least \$100,000 ... and maybe even \$1,000,000." These dollar figures should attract attention, as should the claim that nearly everyone has the ability to accumulate them. Are they realistic? A household that averages only \$25,000 of annual income over a forty-year period can accumulate more than \$200,000 of assets through as little as \$1,000 of annual personal saving and the purchase of a modest home.

While the "you can save at least \$100,000" message should be featured the most prominently, it should be followed whenever possible by a summary of the most effective strategies to pursue in reaching the financial goal. Five should receive emphasis:

Pay off high-cost consumer loans. Households that carry credit card balances pay an average of \$1,000 a year in interest and fees. Other types of credit, such as payday loans, can carry rates of several hundred percent. Paying off these loans is the best investment you can make. It makes no sense to save at 5 percent, or even 8 percent, if you are paying off loans of 15 percent and up.

Buy a home and pay off the mortgage before retiring. For the middle class, the most important form of private saving is home equity build-up. Once the mortgage is paid off, housing costs drop considerably. Before that, home equity can be used as collateral for reasonably-priced consumer loans.

Take full advantage of any employer-related retirement program. Employers contribute to most of these programs, making them the most lucrative "investment" available to most people. But to take full advantage of this employer contribution, many employees must make a contribution first. Unfortunately, an estimated one-quarter to one-third of employees fail to take full advantage of this employer subsidy.

Contribute regularly to an IRA. Saving only \$1,000 tax-free a year for 40 years with a 5 percent yield will accumulate \$127,840. Saving \$4,000 a year in the same way will accumulate \$511,359. This strategy is particularly important for those without access to a employer retirement program.

Maintain liquid savings for emergencies. Experts recommend keeping at least three months expenses in a reliable, liquid account though even an

extra \$1,000 can be a life-saver. Given the low yields of traditional savings accounts, money market funds and short-term certificates-of-deposit (CDs) are currently the most attractive accounts. (Early withdrawal penalties on a CD rarely lower the yield below that of a savings account.) Most importantly, do not keep savings in a checking account, which pays no or low interest and is too easy to access for current consumption.

Other strategies do not appear to be as helpful. The amount and timing of inheritances are often not predictable, especially when one is young. Cash-value life insurance provides reasonable yields only to purchasers who hold policies for at least 15 years, and most do not. Risky investment products provide returns that cannot be relied on for needed income.

There is also a general message that needs continuing emphasis -- wealth is as important as income to one's economic well-being. As noted earlier, most Americans consider income to be much more important. If they perceived wealth to be of equal importance, they would try harder to accumulate it.

Message Delivery: This delivery is a two-stage process. Messages must first be packaged then communicated. Packaging could include the following:

Basic pamphlet stressing positive messages but also including negative ones. This document also should explain precisely how one can develop and carry out a wealth building plan.

Poster that illustrates how one can accumulate \$100,000 to \$1,000,000 by saving continuously over a lifetime. A graph showing savings accumulations over a 40-year period with \$500 and \$4,000 annual contributions would serve this purpose. Such a poster might be attractive to a variety of community agencies, but it would probably be most helpful in the schools. The backside of the publication could explain various ways that saving could be taught to different levels of students. Posted in tens of thousands of classrooms, this document might have the impact of the four food groups poster to which many were exposed in the 1950s and 1960s.

Video that uses case histories to illustrate the benefits of saving, the costs of not saving, the ease of saving, and the most effective ways to save. There could be a 5-7 minute video that was used to introduce speeches, workshops, and one-on-one sessions. There could be a 20-25 minute video that was used as a classroom presentation and also possibly shown on public television.

TV/Radio PSAs that communicate simple messages with an emphasis on the positive. These announcements should list a 800-number which can be called for additional information and materials, such as the pamphlet. ASEC

has developed several excellent PSAs of this type.

Calculators that can be used by individuals to assess their savings potential. The simplest could be a manual savings calculator that computed savings accumulation taking into account periodic contributions and the time period of these contributions. ASEC has developed one such calculator. A more sophisticated calculator could take into consideration all types of assets (and debt) including home equity, retirement programs, IRAs, other financial assets, and inheritance. This computer-based calculator could be available on a web-site or to those who called an 800 number and responded to recorded questions by punching in numbers.

Studies that demonstrated inadequate asset accumulation by many households. These studies were discussed earlier in the treatment of negative messages.

The messages incorporated in these "materials" can be delivered in a number of ways which include

Press releases and conferences, especially when research on inadequate asset accumulation has been completed.

Talk shows and evening news magazine shows that will report data on savings inadequacy and potential but may wish to feature individual success stories (talk shows) or failures (magazine shows).

Community-based organizations including schools that may be especially interested in brochures, posters, and calculators. "Educators" will also be interested in any videos.

Web-site that will be especially useful to these "educators" -- anyone who has responsibility for financial education or training including school teachers, reporters, counselors, and social service workers.

Grassroots Community Outreach: National efforts cannot succeed without complementary initiatives at the grassroots. The latter will vary considerably from area to area. What will often make sense are efforts, within metropolitan areas, that are spurred and coordinated by a coalition of groups. Leadership of these coalitions is most likely to come from those institutions already working on asset development or interested in doing so. Prime candidates are community-based groups promoting IDAs, cooperative extension agents, non-profit credit counseling services, and possibly credit unions. But the coalitions should welcome all organizations that support the core program. Members might include the media, banks, investment firms, financial planners, labor unions, public officials, public school teachers, college professors, consumer groups, ethnic/minority

groups, senior organizations, and social service agencies. However, in organizing the coalition, it is more important to find individuals who will work on coalition activities than to recruit as many groups as possible.

It would be helpful for the coalition to define specific goals, such as persuading "x" number of households to develop and begin implementing a savings plan, and a general strategy for achieving these goals. The following tactics are some of those that should be considered. All should be assessed in terms of costs and benefits, and the extent to which they complement each other.

Distributing materials -- e.g., pamphlets, posters, PSAs -- developed nationally, especially to those agencies that service lower income households and their children.

Advising/training individuals in individual counseling sessions, group counseling sessions, workshops, classes, and forums. Many county extension agents and credit counselors have impressive track records in this area. Asking participants to make a commitment and following up later to note progress and offer additional assistance is important.

Organizing saving, or wealth-building, fairs similar to health fairs. Often sponsored by a local television station, the health fairs provide rudimentary testing, supply general information, and provide personalized advice. The challenge of creating a saving fair is to prevent it from becoming a venue for product promotion. There must be a meaningful concept for the fair to which institutions are invited to make specific contributions. These could include distributing materials, conducting workshops, providing individual advice, and helping attendees assess their potential for lifetime asset accumulation.

Training financial educators who belong to groups such as churches and social organizations to encourage asset development and refer interested individuals to experts in financial planning.

Persuading schools to adopt or improve asset development curricula. Persuading community organizations to establish saving programs for members. Persuading social service agencies to institutionalize savings education and savings programs.

All of these tactics could be utilized to promote the creation of a new type of voluntary organization (proposed by Jay Seaton and Jay Miller) -- thousands of small savings (investment? wealth-building? asset development?) clubs that function somewhat like Alcoholics Anonymous or Weightwatchers. Monthly meetings would keep participants focused on savings goals and provide social support, and ideas, for their attainment.

One major challenge of such campaigns is ensuring adequate savings and investment opportunities once consumer demand has been stimulated. To an extent, this increased demand will encourage financial institutions to offer convenient products with reasonable yields. An attractive option that depository institutions could offer is regular electronic transfer of a fixed amount of checking deposit into a higher yielding account such as a certificate of deposit, money market fund, or stock mutual fund. Employers could facilitate this transfer through a combination of electronic paycheck deposit and request that the banking institution electronically transfer a portion of it to another account. For this option to become widely available in an area, not all depository institutions have to offer it. If only several institutions made it available, consumers would probably have available convenient options.

Once successful programs have been established in certain communities, they can be used as models in other areas.

Public Policy Initiatives: Advocating new public policies can be useful simply because this advocacy provides opportunities to educate and build support among policy makers, the press, other advocacy groups, and other opinion leaders. The adoption of these policies, however, can advance asset development even more effectively. Below are examples of several types of policies that savings advocates might consider advancing.

Financial incentives to save, targeted at lower income households, either through tax policy or direct subsidies. One limitation of the former is that most lower income households pay relatively little taxes that could be reduced and rarely utilize the itemized deductions that are often easiest to persuade policy makers to approve. Direct subsidies are more useful. The federal government has seriously considered, and several states have actually approved, modest appropriations to match household contributions to IDAs. There would seem to be potential to persuade policy makers to confer the same level of asset development subsidies -- chiefly, the mortgage interest deduction -- that many middle income households enjoy. Washington University's Michael Sherraden, who developed the IDA concept, has suggested making these subsidies part of the successful earned income tax credit program.

Funding and/or agency sponsorship of asset development programs. Federal and state agencies could promote wealth building, especially among the least affluent, through sponsorship of research, program initiatives, and grants. The Assets for Independence Act just passed by Congress will facilitate this type of initiative.

Mandates or subsidies for small employers to assist employee retirement savings. Only a small minority of small employers offer retirement programs. At the very least, these organizations could be required to assist

workers in establishing retirement accounts, including direct deposit of a portion of paychecks. Research suggests that one of the two easiest ways for households to prepare for retirement -- the other is paying off a mortgage -- is to have savings contributions deducted from paychecks.

A requirement that depository institutions be willing to receive electronic deposits for individuals allocate, at no or little cost, all or a portion of these deposits into savings accounts. Given the low yields on traditional savings accounts, it would be even more helpful if banks would allow consumers to add funds electronically to CDs.

Coalition-Building: Not only at the grassroots but also at the national level there needs to be a coalition or working group that helps develop, support, and evaluate specific initiatives. The potential influence of such an alliance has been demonstrated by many other coalitions, especially the Concord Coalition, which along with Ross Perot, played essential roles in persuading the public and policy makers to make balanced federal budgets a high priority. The Coalition's research, public information efforts, and lobbying of government officials were instrumental in continuing and even building support for deficit reduction that Perot and his charts had helped initiate.

Developing a savings coalition or working group in the near future is timely. As noted earlier, much of the work to advance asset development is being undertaken by two clusters of organizations: those funded by The Ford Foundation which are promoting the creation of IDAs by low- and moderate-income households, and those including ASEC and the SEC that have undertaken public information and education to advance lifelong financial security. (There are also extensive efforts by numerous public, private, and non-profit organizations to encourage homeownership.)

As ASEC and other members of the latter group expand their public education efforts to lower income households, such efforts would help build consumer and public support for IDAs and other programs assisting the least affluent. Similarly, Ford Foundation-funded groups would benefit by supporting social marketing efforts to make asset development, especially among lower income families, a high national priority. As explained earlier, increasing the importance of this wealth-building would help build societal support for specific program initiatives.

One model for such a coalition or working group has been developed by the Consumer Federation of America to promote consumer health and safety and to publicize money-saving consumer tips. The two coalitions that promote these goals respectively -- the Coalition for Consumer Health & Safety (organized in 1988) and the Consumer Literacy Consortium (organized in 1993) -- are made up of between 25 and 40 member groups. Representatives from these organizations meet quarterly. Between meetings, the work of the coalitions is carried out by standing

(and sometimes ad hoc) committees and by CFA staffers who manage both efforts.

Both coalitions spent much time (six months to two years) developing policies to serve as the basis for advocacy and/or education. Members of the CCHS eventually agreed to a detailed document analyzing consumer problems in seven product areas and proposing policy remedies for these problems. Members of the CLC developed consumer advice about saving money in 28 product areas that took the form of a publication, "66 Ways to Save Money." One barrier to such an agreement was that many of the Consortium's members had, for years, been disseminating money-saving tips that did not agree precisely, or in some cases even approximately, with the 66 tips. Nevertheless, even operating on a consensus basis, CLC members were able to reach unanimous agreement on consistent messages.

A coalition or working group to advance asset development among lower income households could function much like the CCHS and the CLC. Members could meet quarterly. Committees -- research, education, policy, grassroots outreach? -- could work between meetings with the assistance of full- or part-time staffers. The group could set specific savings goals, develop a general strategy for attaining them, and implement the strategy through various activities including message development and delivery, research on both problems and proposed strategies, grassroots outreach, and policy development and advancement.

Initial funding could be sought from foundations. At a later date, annual contributions could be solicited from affluent members.

Possible names for the coalition include -- America Saves, Americans Save, and The Wealth Coalition. Reviewers of the first draft of this paper strongly preferred America Saves. They suggested that, in specific communities, the campaign could include the name of that community (e.g., Cleveland Saves, Houston Saves).

Reviewers also suggested that a logo with the campaign's name be created. If used by all participating groups, this logo would help link the campaign's diverse efforts in the minds of individuals and encourage them to take the campaign more seriously.

[Back to Top](#)

REFERENCED SOURCES

Anderson, Joseph M. The Wealth of U.S. Households in 1995. Report to Merrill Lynch by Capital Research Associates, May 1998.

Andreasen, Alan R. Marketing Social Change: Changing Behavior to Promote Health, Social Development, and the Environment. San Francisco: Jossey-Bass, 1995.

Beverly, Sondra. How Can the Poor Save? Theory and Evidence on Saving in Low-Income Households. Working Paper No. 97-3. Report published by Center for Social Development, Washington University, 1997.

Bloom, Paul N. and William D. Novelli. "Problems and Challenges in Social Marketing." Journal of Marketing. 45 (Spring 1981), 79-88.

Caskey, John. Beyond Cash-and-Carry: Financial Savings, Financial Services, and Low-Income Households in Two Communities. Report published by Consumer Federation of America, December 1977.

Korczyk, Sophie M. How Americans Save. Report published by American Association of Retired Persons, July 1998.

Oliver, Melvin L. and Thomas M. Shapiro. Black Wealth, White Wealth: A New Perspective on Racial Inequality. New York: Routledge, 1997.