IDA Financial Education: Quantitative and Qualitative Impacts

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Abstract

This article reports quantitative and qualitative impacts of a statewide financial education program for Individual Development Account (IDA) participants in New Jersey. IDA program participants were required to take eight 2-hour financial education classes. Respondents were primarily female, between 20 and 49 years of age, not college graduates, and had household incomes of $20,000 or less. Quantitative and qualitative data indicated that program participants talked to their children about class content and took action to increase their income, save regularly, and reduce expenses. There was also an increase in the perceived knowledge and confidence level of participants and evidence that new knowledge was used by learners. Implications for financial educators are provided.

Key Words: Financial education, Behavioral change, Individual development accounts (IDAs)

This article reports quantitative and qualitative impacts of a statewide financial education program for Individual Development Account participants in New Jersey. Individual Development Accounts (IDAs) are matched savings accounts designed to help limited resource individuals and households save money for goals that enhance long-term financial security. These goals include post-secondary education or job training, home ownership, small business capitalization, and other approved asset uses (Individual Development Accounts, 1998). Many IDA programs have multiple sources of matching funds including federal and state government allocations, corporations, foundations, grassroots community organizations, and individual donors (Sherraden, 2000).

Conceptualized by Professor Michael Sherraden of Washington University in St. Louis in the book *Assets and the Poor* (Sherraden, 1991), IDAs are designed to promote saving and asset accumulation by the working poor (Calmes, 2006). In invited testimony to the President's Commission on Social Security, Sherraden (2001) reported findings from an initial IDA demonstration project called the American Dream Demonstration (ADD) that was initiated by the Corporation for Enterprise Development (CFED) in 1997. With matched funding, participants accumulated an average of $75 per month or $900 a year. "Poor people, like everyone else, should have structured opportunities and incentives to save and accumulate assets," he noted. "Any public policy that is based on individual asset accounts should include the poor and provide progressive matching deposits" (Sherraden, 2001, p.3). Previous to major shifts in U.S. welfare policy in 1996 and the introduction of IDAs, those who received public assistance were often penalized for saving because their eligibility for benefits was jeopardized. IDAs, on the other hand, encourage and reward personal savings.

About 12.4% of the U.S. population, or nearly 34.8 million people, lived in poverty in 2002 ("More Americans," 2003). Sherraden (2000) has argued convincingly that low-income families can save and accumulate assets if they have special incentives (e.g., matched savings) and opportunities (e.g., available community IDA programs) just as wealthier households have such practices (e.g., Roth IRAs, 401(k)s, 529 college savings plans, and tax write-offs for home ownership). The pathway to financial security is through saving and asset accumulation. IDA programs require a collaborative effort by many parties to be successful. Five equally important components of IDA programs are as follows (Individual Development Accounts, 1998; McKenna & Owen, 1999, McKenna, Owen, & Blansett, 2001):

- A structured, goal-focused savings account started by participants with their earned income. IDA deposit accounts are maintained at a financial institution and administered by participating community-based programs that recruit participants and provide ongoing case management, including monitoring of participant's deposits.
- Participants make regular deposits to a custodial IDA savings account over a specified period of time, generally one to three years.
- A high-return targeted savings goal designed to enhance participants' long-term financial security (e.g., self-employment, home ownership, college or vocational education).
- A structured and supportive learning environment provided by a series of training classes on financial planning and asset specific (e.g., home ownership) topics.
- Matching funding for savings accounts, at varying rates, by third parties, such as businesses and government.

IDA programs have greatly expanded during the past decade for several reasons. First, the Assets for Independence Act (AFIA) was signed into law in 1998 and provided for up to $125 million, over a five-year period, to establish over 50,000 IDA accounts (Blansett & McKenna, 2001). In addition, states are permitted to use Temporary Assistance to Needy Family (TANF) block grant funds to match savings in IDAs. As a result, many states have created pilot IDA programs, often in cooperation with community anti-poverty organizations, to capture available federal funding. In many cases, IDAs are attached to job training, welfare reform, self-sufficiency, or other development programs (Edwards, 1997). Finally, IDAs are specifically mentioned as a way for participating financial institutions to receive Community Reinvestment Act (CRA) credits. Information about IDA programs can be found on the following Web sites: www.idanetwork.org and www.cfed.org (Corporation for Enterprise Development) and http://gwbweb.wustl.edu/csd/ (George Warren Brown School of Social Work, Washington University in St. Louis).

Review of Literature: IDA Program Impacts

With millions of public and private dollars being spent to fund IDA programs during the past decade, impact evaluation has been critical to provide evidence that those dollars are well spent. As of August, 2004, at least 20,000 low-income families throughout the United States had established IDA accounts according to the Corporation For Enterprise Development (personal communication, August 16, 2004). Results to date indicate that asset accumulation and financial education provide many benefits to participants.

One of the most comprehensive IDA impact evaluations is contained in the final report of the American Dream Demonstration (ADD), which was a demonstration of IDAs in 14 programs across the United States (Schreiner, Clancy, & Sherraden, 2002). The ADD ran for four years (1997-2001) and research was conducted for seven years (1997-2003). The Corporation for Enterprise Development (CFED) in Washington, DC designed and guided the ADD and the Center for Social Development at Washington University in St. Louis designed the research (Schreiner, Clancy, & Sherraden, 2002). Findings suggested that the poor can save and accumulate assets.

On December 31, 2001, the ADD reported having 2,364 participants. The average and median monthly net deposits per participant (defined as net deposits divided by months of participation) were $19.07 and $9.83, respectively. On average, participants made a deposit in approximately 6 months during a year and saved 51 cents for every dollar that could have been matched. With an average match rate of 2:1, participants accumulated approximately $700 annually in IDAs. The average length of program participation was 24.5 months (Schreiner, Clancy, & Sherraden, 2002).

Another key finding was that higher match rates increased the likelihood of being a saver. In addition, controlling for other factors, people who used direct deposit were 22 percentage points more likely to be savers. About half of the people who participated in the ADD were "savers," defined as those who saved a net of $100 or more as of December 31, 2001. The average monthly net deposit for savers was $33.81. Surprisingly, income was not significantly related to being a saver in the ADD. Rather, ADD program characteristics were strongly linked with savings performance but participant characteristics, such as income, were not. People with health insurance and those with no debt were also more likely to be savers. The largest portion (28%) of matched withdrawals were used for home purchase, followed by microenterprise capitalization, post-secondary education, and home repair (Schreiner, Clancy, & Sherraden, 2002).

ADD researchers investigated the impact of the general financial education program required of IDA participants and concluded that some training increases saving, although the effects of additional hours have diminishing returns. Specifically, the effect of general financial education was strong for one to eight hours but got weaker and statistically insignificant for nine to 16 hours and above (Schreiner, Clancy, & Sherraden, 2002). A previous study ("Center for Social Development," 2001) with ADD data through June 30, 2000, found that each hour up to 12 was linked with large increases in average monthly net deposits but hours after that had little effect. These two findings, viewed together, suggest an optimal class length of between eight and 12 hours of general financial education.

Shockey and Seiling (2003) studied the financial literacy and behavior changes of 253 IDA participants in four states who attended four 2-hour IDA classes and completed an average of 6 to 8 hours of additional work outside of classes. They found statistically significant increases in both knowledge and financial behavior change in six areas: goal-setting, tracking spending, spending plan, reducing debt, setting aside money for unplanned spending (e.g., emergencies), and saving money. As a result of the financial literacy classes and homework, participants' mean scores increased significantly in both financial knowledge and behavior. The largest change occurred in "setting aside money for unplanned spending" and the smallest in "reducing debt" (Shockey & Seiling, 2004).

Anderson, Zhan, Scott, and Rand (2004) examined how participant characteristics and pre-training knowledge levels, as well as program recruiting practices, affected knowledge levels of financial management training participants. They found that IDA participants had significantly higher pre-training knowledge levels than other (non-IDA) low-income program participants, perhaps because they had higher education and employment levels and were more likely to have checking and saving accounts (Anderson et al, 2004). Their findings suggest a need to further study differing incentives for financial training participation for limited resource audiences.

Hogan, Solheim, Wolfgram, Nkosi, & Rodrigues (2004) studied 25 participants in the Minnesota Family Assets For Independence program to identify factors that enabled low-income families (< 200% of poverty level) to save money and build assets. Among the major constructs that emerged were financial vulnerability, personal attributes, social support, and resource management strategies. This study, too, provides evidence that low-income families can save money toward a goal in the face of financial hardships.

Shobe (2002) noted that many IDA programs exclude low-income youth from participation and argued for inclusion of children in IDA asset-building programs as an approach to reducing the incidence of poverty. She proposes a child/parent IDA and notes that children are more affected by poverty than any other age group in the U.S. Both children and parents would be provided with age-appropriate financial training and savings matches. Existing grassroots organizations that serve low-income children, such as Head Start, could help reach the targeted audience.

Purpose and Background

The purpose of this study was to study quantitative and qualitative impacts of an IDA financial education program upon program participants in New Jersey. Classes were usually held monthly over the course of 7-9 months, although, in some cases, they were combined into a "double session" (Striving For Financial Security, 2003). This state is believed to be the only one in the nation that designated two state-selected financial education providers to deliver a uniform IDA financial education curriculum statewide. One of the providers used the same training team in the 14 counties that comprise the sampling frame for this study. In other states, a multitude of community action agencies that administer local IDA programs generally select their own education providers and use different training materials and class formats. With the same instructor, curriculum materials, and evaluation instruments, however, aggregation of statewide IDA impact evaluation data was greatly facilitated.

The state-funded IDA program was available to New Jersey residents with one or more dependent children and an annual household gross income of up to 200% of the official poverty level at the time of enrollment. The program was implemented with $2 million in federal TANF funds. The match rate was 1:1 with a maximum match of $1,500 per year for three years. Thus, the total amount that could be matched was $4,500 of earned income and participants could accumulate as much as $9,000 with matching funds ("Building Assets," 2002).

Participants were required to take 16 hours of general financial education provided by one of the two state-selected providers. Topics of the eight two-hour class sessions are listed below. Lessons built upon each other sequentially and included a combination of structured discussion and participant progress reports, PowerPoint slides, and a hands-on activity with case study problems centered on the life of a fictional single parent character with "financial issues" named Maria.

- Class 1: Banking Basics: Protecting Your Money
- Class 2: Managing Your Money: Making a Saving and Spending Plan
- Class 3: Credit 101: Understanding Credit
- Class 4: Your Relationship With Money: Taking Control and Understanding Taxes
- Class 5: Saving and Investing on a Shoestring
- Class 6: Understanding Insurance: The Basics of Risk Protection
- Class 7: Advanced Credit: Loans, Mortgages, and Credit Repair
- Class 8: Beware: Predatory Lending, Identity Theft, and Financial Frauds

A total of eight anti-poverty organizations were selected to administer the state IDA program at the local level by providing recruitment, case management, and ongoing support to participants (Hester, 2002).

Data for this study of IDA program impacts were collected using both quantitative and qualitative methods. A total of 93 IDA program participants from the first two rounds of classes completed a written evaluation form with impact indicators for the performance of financial management actions and feelings about their financial knowledge and money management skills.

In addition, anecdotal information on participant behavior changes was recorded, in participants' own words, by the facilitator's teaching assistant during informal "sharing" sessions at classes. In these discussions, participants described specific topics that were new to them and how they applied the information learned in the

IDA classes to improve their financial well being. The anecdotes put a "personal touch" on the quantitative data and provide specific examples of how the class topics were useful and relevant to participants. They also provide insights into the mindset and attitudes of participants, as well as their resources and obstacles and secondary impacts of the IDA program upon participants' family members. Together with the quantitative data, the qualitative data provide evidence of the impact of the financial education classes upon the IDA program participants.

Sample

The sample for the follow-up IDA financial education impact data collection (N =93) mirrors many of the same traits as the sample in the American Dream Demonstration (ADD) evaluation study (Schreiner, Clancy, & Sherraden, 2002). Respondents in these samples were primarily female, between 20 and 49 years of age, single, not college graduates, and had household incomes of $20,000 or less. Ethnicity characteristics differed, however. While a majority of the ADD sample was African-American, Whites comprised 47% of the sample of follow-up evaluation respondents. This was because the second education provider (not reported in this study) covered the most urbanized counties in the state with larger percentages of minority IDA program participants.

Characteristics of respondents to the follow-up evaluation are described in Table 1 below:

Table 1
Demographic Characteristics of IDA Follow-Up Evaluation Respondents

Demographic Characteristic	**Percentage of Sample**
Gender	
Male	23%
Female	77%
Age	
30 and under	27%
31-40	34%
41-50	28%
51-60	10%
Over 60	1%
Ethnicity	
White	47%
African-American	33%
Hispanic	12%
Asian	4%
Other/Unknown	4%
Marital Status	
Single, no minor children	27%
Single, with minor children	59%
Married, no minor children	1%
Married, with minor children	13%
Highest Educational Level	
Some High School or less	9%
High school graduate	25%
Some college/trade/ vocational training	48%
Associate degree	9%
Bachelor's degree or higher	9%
Household Annual Gross Income	
Less than $10,000	26%
$10,001- $20,000	34%
$21,000- $30,000	26%
$31,000-$40,000	8%
$41,001 or greater	6%

Quantitative Impacts

On the follow-up evaluation form, the 93 respondents were asked to check, from among 18 financial behaviors, actions that they had performed both before and after taking the IDA classes. The frequency of performance of these behaviors in these two time periods was then compared. The survey items were drawn from topics and recommended financial practices taught in the IDA classes. Every participant reported at least one financial behavior change and the five most frequently reported behavior changes on the survey were as follows:

Financial Behavior	**Change in Number of Respondents Reporting Financial Behavior After IDA Class Versus Before**
Talk to children about *any* of the topics discussed in IDA financial education classes	+ 36 respondents
Take one or more actions to cut expenses	+ 31 respondents
"Pay myself first" by depositing money regularly into some type of savings	+ 27 respondents
Write down specific goals with a date and a dollar cost	+ 24 respondents
Take one or more actions to increase income	+ 21 respondents

Another important impact was the difference in the perceived knowledge and confidence level of the IDA class participants, as indicated below:

After taking IDA classes, do you: **Before** taking IDA classes, did you:

Not at all confident 0% No Response 5%	Not too confident 3%	Somewhat confident 40%	Very confident 52%	*Feel that you will have enough money to meet your IDA savings goal?*	Not at all confident 13% No Response 11%	Not too confident 32%	Somewhat confident 27%	Very confident 17%
Not at all confident 0% No response 6%	Not too confident 6%	Somewhat confident 56%	Very confident 32%	*Feel that you are doing a good job managing your money?*	Not at all confident 22% No response 8%	Not too confident 28%	Somewhat confident 31%	Very confident 11%
Not at all confident 0% No Response 6%	Not too confident 5%	Somewhat confident 48%	Very confident 41%	*Feel that you understand basic financial terms?*	Not at all confident 10% No response 8%	Not too confident 31%	Somewhat confident 36%	Very confident 15%

Qualitative Impacts

At the beginning of each class session, IDA class participants were asked to share stories about their financial progress and how they had applied the information taught at the classes. These anecdotes were transcribed virtually verbatim by the class assistant as the facilitator led the discussion. In addition to the quantitative impacts described above, this qualitative data provides invaluable insights into the lives of limited resource learners. Specific impacts of the IDA financial education classes and applications of class material are also described.

Similar to a previous qualitative study of limited resource families (Swanson, Hogarth, & Segelken, 1993), transcripts of the participant anecdotes were reviewed to identify common patterns and ideas. The project director and financial educator conducted this analysis. Six key themes emerged as descriptors of the anecdotal data: 1) increased financial awareness of participants, 2) examples of participant empowerment, 3) examples of specific behavior changes, 4) examples of increased personal control, 5) impacts on participants' family, and 6) evidence of financial education classes as a social support mechanism.

Increased Financial Awareness of Participants

Some participants became more aware of financial topics that they had not known about previously, such the availability of tax-deferred employer retirement savings plans with savings matches:

After the class on investing, I went to talk to the personnel department at work. I didn't know but they have a savings plan – they'll give me $1 for every $1 that I put away and then, after the first 3%, they give me 50 cents for every dollar I save. I've been working there part time for over 2 years now and never knew this existed.

My employer gave us lots of papers about a 403(b) retirement plan. I would have thrown these out before, but we talked about this in class. The teacher and I went through the information and I went and signed up right away. The hospital (employer) even matched my contribution.

When I learned about 401(k)s in class, I went to my employer and inquired about these programs. I learned that they have a 100% matching program for the first 3% of money placed in the account. I am in the process of enrolling in this program.

Increased awareness of income tax topics, such as tax withholding, tax refunds, and "instant refund" loans was also noted:

I took my tax refund and paid off my credit card debt and even put some into savings. I never knew I could do that.

I changed my W-4 and got about $80 more each pay in my check. Friends told me I couldn't do that, but after class, I knew I could. It was easier than I thought.

Last year I paid a tax preparer $300 to do my taxes. Then I got an instant refund. Didn't know this was a loan. Next year I won't take the loan since I lost another $300.

Other topics about which participants became more aware included the ability to negotiate credit terms with lenders, identity theft, life and property insurance, and financial terminology:

I never knew that you could call your lender and negotiate better payment arrangements.

I've learned how dangerous it is to just throw away credit card offers, etc. I never realized that this could lead to identity theft.

As a single mom, I worried about leaving anything for my kids if I died. I learned about term insurance. Now I feel better that they'll be taken care of if something happens to me.

I am more aware of the importance of having a life insurance policy.

I was not aware of the importance of having insurance of my home/apartment. I will now look into this and make the necessary arrangements.

I've owned a home for a while but never understood what equity was. I do now.

Participants also indicated an increased awareness of their own personal financial practices and/or changes they could make to improve their well being, such as saving small sums of money:

Six years ago I bought a lot of stuff with my credit card and charged $2,000. I've been paying the minimum at 29% since then and I still owe $2,000 and I don't even know what I bought.

If I don't rent movies and just get them from the library, I can save about $15 a week. When I multiply that by 52 (weeks), that's close to $1,000 I can save toward my house.

I have learned that I don't have to struggle to save a large amount of money. I can accomplish this goal by putting away small amounts on a regular basis.

My mom was a single mom and we lived paycheck to paycheck. Now I'm a single mom and I realized that I was doing the same thing. I always wanted to save money, but got frustrated when I didn't end up with $100. Now I know I can save $5 here and $10 there and it will add up to $100.

Saving ANY amount of money is better than not saving at all.

Examples of Participant Empowerment

Several participants provided concrete examples of how they used knowledge gained in the IDA classes to shop wisely, avoid consumer rip-offs, and deal with questionable sales practices:

When I went to buy my car, the salesman gave me a run around about the loan. He would have taken advantage of me, but I used what I learned in the credit class. I even pulled out my laminated credit calculator and he backed off. I went someplace else and got a better deal.

As I was buying my condo, I found out that the seller was trying to gyp me. He wanted to do his own inspection and appraisal. I said no and got my own. He even tried to steer me to his attorney, but I got my own. I think we saved lots of money and I felt better.

I'm an African American woman and I went to a real estate seller to look at houses. He wanted to charge me $50 just to talk to me. I knew this was discrimination and said no and reported him to the State. Class 7 helped me learn that they couldn't do this.

The instructor read over my mortgage documents and we found that the taxes were included as part of the loan. I went back and had the mortgage company takes these out and reduced the monthly payment.

I've learned to question why someone needs my Social Security number.

Now I know how to shop around for a better loan or loan arrangements when purchasing a home/car. It's more than just the amount of the monthly payment.

Examples of Specific Behavior Changes

As indicated previously in the quantitative data, saving money and reducing expenses were frequent behavior changes reported by IDA program participants. Some even reported improving their health as a result of changes in their spending behaviors:

We've been saving our change. I had it counted at the bank and it was over $260 – a lot more than I thought. I opened a bank account and will be getting interest.

To save money, I'm only buying one lottery ticket a week now. I used to spend over $15 a week.

The piggy bank that was given to me at one of my IDA classes is almost full! It really encouraged me to begin saving, even if it's a little bit at a time.

When I purchased my car, I contracted for a very low monthly payment. I usually save during the month so that I can double these payments, but in the extreme case where I have had a rough month, I can still make the contracted payment without difficulty and protect my credit.

Now I'm buying savings bonds for birthday gifts. My nieces have too many toys anyway and a savings bond will help them in the future.

I'm teaching myself not to "impulse buy". By reading the sales brochures, I have saved quite a bit of money by being patient and waiting for sales.

I gave up smoking and now put the money saved toward paying off my debt.

Packing my lunch each day has saved me so much money each week. And I feel better because I am eating healthier.

I now pack my lunch each day for work, have renegotiated my cable and telephone bills, and have saved $300 per month. I'm using this to pay off debt.

Now that I'm saving for a house, I don't buy McDonalds anymore – I'm focused on my goal.

I co-own a storage unit with my sister. She is no longer helping me with payments. In order to save money, I am in the process of cleaning out the storage unit and putting the items in "free" storage space. I now see how much money I have locked up in "stuff".

Another area of personal finance where many IDA class participants made changes was income taxes. A number of students went to their employers and adjusted the number of withholding allowances on their W-4 forms, after learning about this in class, to improve their cash flow. Previously they had just entered "0" on this form. Other changes included contacting the IRS Volunteer Income Tax Assistance (VITA) program and wise use of income tax refunds:

I did my own tax form and took it to a free VITA site to check it. It was totally correct. Now I know more about taxes and don't have to pay a tax preparer.

I took all of the money I received from my income tax refund and paid off my credit cards. Not having that debt hang over my head feels so good.

The portion I pay for benefits was just increased. I revised my W-4 form to list more allowances so the difference in the withholding will go to pay the benefits. This way I don't have to change my budget. I won't get such a big tax refund, but that's okay.

I used my tax refund to pay off my credit card bill. When I called and found out I was paying 29% interest, I said, "hell no" and got rid of that debt.

Topics taught in the IDA classes prompted other behavior changes such as the following:

I raised my deductibles on my car insurance and saved about $475 on my insurance bill. I didn't know I could do that.

I now balance my checkbook each month. Previously I did not do this, because it seemed so complicated.

My wife and I wrote down our goals and we have met a couple of them already.

Now I go to the library and read magazines about money when my daughter is at the story hour. I used to just go get coffee. I'm saving money by not buying coffee plus I'm learning. It's not as confusing as it was before.

I didn't do anything on this list (second evaluation) before I took the classes. Now I'm trying to do everything we've discussed.

Examples of Increased Personal Control

Some participants described instances where they just said "no" to spending temptations or proactively took other actions to improve their finances:

When those transfer checks came in the mail, I shredded them. I never knew that these were a loan. But now I do and I didn't sign them and I got rid of them before the temptation took over.

Last week I totaled up all the money I spend on eating out at lunch and decided not to do it anymore. I figured I can save about $200 a month. I told my co-workers that they'd have to go out without me from now on.

I'm practicing saying "no". I organized a trip for people at church and several still owe me money for the bus. Next time, I'll help organize it, but I won't do it. I learned the hard way.

The day after Christmas, my family always shows up and expects me to cook a full dinner and feed them. No one brings anything and it costs me a lot of money. This year, I'm taking my kids to a movie and we're going to be gone from home all day. If they show up, they'll have to cook the meal themselves. It costs me lots less to take the kids out and I spend good time with my children.

I've learned to say "NO" gracefully to family members and friends who are always asking me for money.

Impacts on Participants' Family

Participants gained money management skills from which others could benefit and some reported "ripple effects" from their class participation by describing impacts upon their family. Examples include improved communication about finances and spending, convincing others of the value of saving, a better ability to say no to spending requests, and starting a savings program with and/or for their children.

I opened my first savings account and feel like a new woman. My 10-year-old son went with me and now he knows how to do it. He even wants to open one himself.

I didn't think change was important. My wife always collected it in a jar and I poo-pooed it until I got arrested and needed her to come and bail me out of jail in the middle of the night. All the cash she had was in the jar and it was over $300 – enough to pay the bail.

I'm working to get my 16-year old son more involved with his money and doing more around the house. He has a job now and I make him pay for some things. He doesn't hassle me about buying all the stuff he wants now.

When my son asks for a toy, I tell him he can have one, but not today because I'm saving to buy a house. He seems to understand me and shuts up.

My kids all have their own piggy banks now. It's great the way they want to put money in them.

I now have my kids saving money in a piggy bank; we make a game out of it, and they love it. Hopefully this will teach them how easy it is to save.

My 2-year-old daughter and I make a game out of putting all our change from pockets, purse, etc. into a piggy bank. When I have enough saved, I will put this money into savings bonds for her.

I'm learning how to say "no" to my children and my family when they ask for toys, loans, etc.

When I get my paycheck, I now put a set amount away for each of my children. When I have enough saved, I'll put this money into CDs for them.

We're engaged. These classes taught us that we needed to talk about money – how to make it, spend it, save it, and use it.

Financial Education Classes as a Social Support Mechanism

Some participants spoke the social support provided by other class participants or the IDA classes themselves:

We found out we live in the same apartment building so we go grocery shopping on Saturday night when nobody else is there. One of our teenagers stays with the little kids and we keep each other from buying stupid stuff. I said "girl, put the junk away…. You can make those cookies yourself and save money." We've both cut our food bills by about $60 a week and we have fun and an evening out, too.

I feel very comfortable talking about my financial situation with the educators. I now feel that I am not the only one facing these problems.

Through attending these classes, I don't feel so alone. I realize that others are experiencing the same situations and problems that I face. I'm learning from the experience of others what to do and what not to do in order to better my financial position.

Maria (the fictional character used in class activities) and I must be twins. I'm always in the same situations that she's in. Guess we're learning together.

Conclusions

Both quantitative and qualitative data collected for this study provide evidence of knowledge gains and behavior changes by IDA financial education program participants. Many IDA participants appear willing to make current consumption sacrifices in order to save for future goals. The above participant quotes describe a heightened awareness of financial topics and subsequent application of knowledge gained, such as changing tax withholding, enrolling in employer tax-deferred retirement savings plans, and improved communication with family members about money matters. As Sherraden (2001, p. 2) noted in his 2001 testimony, "It would be incorrect to assume that low-income people, even those far below the poverty line, cannot save and accumulate assets." This study confirms that this statement is true. One class participant aptly described what she and many participants came to learn and accept throughout the class series: "*You have to look at the big picture. What you do today has a lot to do with what you will or will not have tomorrow*."

Three core skills that should form the framework of the financial skills building component of IDA programs are: gathering information necessary to make sound decisions, making financial decisions, and assessing financial decisions (Individual Development Account Program Design Handbook, 1999). Without these three core skills, participants cannot effectively process the information gained at financial education classes and use it to improve their lives. Data collected for this study indicate that some participants did acquire these three core skills. They researched options, made proactive decisions, and reflected on the outcomes of their choices. Teaching the IDA classes in a largely facilitative mode with structured discussion helped achieve this outcome because participants' expertise was utilized and classes focused on solutions to real-life problems. The activities with the fictional character, Maria, for example, provided practice in obtaining information and using it for making financial decisions. The problems were realistic, with an appropriate income level for the audience, and included common budget-busting "vices" (e.g., gambling and smoking).

Qualitative data indicate that some participants viewed the IDA classes as a source of social support rather than an "obligation" to get through in order to receive the savings match. It is often helpful to belong to a group of people with similar challenges and economic backgrounds that are making the same sacrifices necessary to improve their finances and reach their savings goals. Holding classes monthly over the course of 7- to 9-months provided participants an opportunity to get to know one another, bond, and feel comfortable sharing their progress, with both the instructor and their peers.

Participant comments about IDA classes as a social support suggest additional optional classes, "class reunions," and/or periodic conferences for IDA participants might be welcome. Evaluations of AARP's Women's Financial Information Program in the 1990s yielded similar results, suggesting clients' interest in follow-up classes. Other outreach methods to "keep in touch" could include e-mail Q-&-A and magazines (e-zines) or periodic newsletters. A frequent topic of interest to participants in this 8-week class series that was not in the planned curriculum was wills and estate planning, particularly issues for single parents, such as how to choose a suitable guardian and executor.

The benefit of support services for IDA accountholders, including financial education, is well documented (Riley, 1999). Support strategies are essential to assist program participants in making the sacrifice and commitment necessary to achieve their IDA savings goal. Having one statewide financial education curriculum greatly facilitated the financial education process. When participants missed a class in their "home" county, they had the option to go elsewhere in the state and take an identical class in order to avoid falling behind on their financial education requirement.

Among the most frequently reported actions taken by participants were increasing income, reducing expenses, and "pay yourself first" savings methods. These findings indicate that these topics should be stressed in future IDA classes because they appear to be "actionable" topics that inspire behavior changes. About half of the participants also indicated that they discussed IDA financial education topics with their children and/or got their children saving money. This indicates a need for additional training focused on family communication strategies about money and for youth IDA programs or the parent/child IDA accounts described by Shobe (2002). Similarly, attention should be paid to teaching debt reduction methods such as PowerPay® analyses and boosting minimum payments.

The sample for this study was small, non-random, and comprised of IDA participants from only one northeast state. Therefore, results cannot be widely generalized. Nevertheless, these findings provide rich insights into characteristics of IDA program participants, their financial struggles and sacrifices, and quantitative and qualitative impacts of the financial education component.

Readers interested in obtaining a copy of the state IDA curriculum and evaluation materials can contact the author for additional information. In order to make the program sustainable, narratives were recorded for the eight class PowerPoint programs so that they could be used for individual class make-up sessions by sponsoring community agencies and by financial educators nationwide who teach IDA classes.

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Endnotes

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