Disconnect between parents' attitudes about children saving for the future and actual savings incidence: Kids' Savings Project in five public elementary schools

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Abstract

A survey of five public elementary schools in low income districts regarding parental attitudes about their children saving in a school-based savings program found an inverse relationship between high agreement on importance of saving for the future and not having started saving at all. Reasons as to why parents are not saving even though they agree that saving for their child's future is important are discussed. This paper also reports on the creation of a kids' savings project to enable elementary school children from low income families to open a savings account with local credit unions, and the lessons learned.

Introduction

In 2005, for the first time since the depression era, personal savings in the U.S. are in the negative, and personal spending exceeds personal earnings. Since 2007, personal savings in the U.S. have improved noticeably (Bureau of Economic Analysis, 2009). However, a 2008 national survey found that only 53 per cent of U.S. households say they save at least five per cent of their income. Unfortunately, this savings rate is lower than the 10 percent or more that is recommended by financial experts (America Saves, 2009).

According to the Consumer Federation of America (2009), many American families do not have savings or have not saved enough funds to cover at least six months of living expenses in times of emergencies. Hence, many families are at risk of being in serious debt, while some may even be at risk of being homeless a few months after losing a job.

While assumptions may be made about low income families not being able to save and build wealth, evidence suggests that there are "savers" and "spenders" in all economic groups (America Saves, 2008). Although families with low to modest incomes cannot save as much as the affluent, almost all families have the ability to build wealth over time (America Saves, 2008).

Findings suggest that spending and savings habits are established in children as young as five years old and that children begin to learn about spending and saving behaviors through routine family interactions (Starr, 2007). This study explores the relationship between parents' attitudes about their children saving for the future and actual savings incidence.

Methodology and Sample

The focus of this study is the relationship between parents' (of elementary school age children) agreement on the importance of saving for their children's future and their actual savings behavior. The research question is, "Do parents of elementary school age children who claim that saving for their child(ren)'s future is important save money regularly?"

A paper questionnaire was used to collect data from parents whose children attend five public elementary schools with high percentages of children on lunch subsidy. Eight hundred and twenty one completed surveys were returned, for a response rate of 29 percent.

Almost 79 percent of the survey respondents are females, and 27 percent of all the respondents are from single parent households. The parents' mean age is 37.5 years (SD = 7.8 years), and the average household income is $48,307 (SD = $25,637). Of those surveyed, 56.6 percent are Asian-Americans, followed by 16.6 percent Native Hawaiians, 11.6 percent Pacific Islanders, and 5.9 percent Caucasians.

Findings

While there is high agreement on the importance of saving, approximately one out of three parents have not started saving yet, and more than half (53 percent) of parents have not helped their child(ren) to start a savings account.

Table 1. Correlations between statements about saving and actual savings behavior.

		1	2	3	4	5	6
1	It is important for my child to save money regularly early in life	1					
2	Saving regularly is important for my future	.582**	1				
3	I should be saving money regularly	.532**	.623**	1			
4	I want to save money regularly	.568**	.562**	.598**	1		
5	I have not started saving yet	-.061*	-.048	-.008	-.042	1	
6	I already have a savings account in my child's name	.127**	.122**	.196**	.174**	-.244**	1

** Correlation is significant at the 0.01 level (1-tailed).
* Correlation is significant at the 0.05 level (1-tailed).

Table 2. Reasons for not saving.

Reason(s) for not saving	Percent of those who have not started saving money regularly
Cannot afford to save	46.5%
Never thought of it	32.3%
Think that we will have time in the future to save	23.6%
Just never got to it	22.1%
Too inconvenient to save	8%
Other	0.8%

Discussion

The findings indicate a disconnect between what parents claim as important and what they have actually done. For example, while very high percentages of the survey respondents say 1) *It is important for my child(ren) to be saving money regularly in life* (96%), 2) *As a whole, I really should be saving money on a regularly basis,* and 3) *I want to save money regularly*, more than half (53 percent) of the respondents have not helped their child(ren) start a savings account, and one in three parents (31 percent) themselves have not started saving yet.

Of those parents who have not helped their children start savings accounts, about 47 percent have not done so because they believe that they "*cannot afford to save*." Yet, in every economic group, there are spenders and there are savers (America Saves, 2008). Similarly, one in three (32.3 percent) of the parents who do not save do not do so because they have "*never thought of saving*," while almost one in four (24 percent) do not save because they think "*there will be time in the future*" to do so. About one in five (22 percent) of the parents who do not save "*just never got around to it*" while about eight percent felt it was "*too inconvenient*" to do so. Other reasons why parents are not saving are discussed.

Phase 2 of this study is currently underway, and it involves a qualitative follow-up of the parents using a grounded theory approach. A small amount of funding has been obtained to start a kids' savings pilot project in three of the five schools. Currently, 271 elementary school children are saving regularly. $25 in seed money is given to the first 100 children at each of these three schools to start a savings account with a local federal credit union, and tellers from the credit union go to the school once a month to collect deposits from the children. The efforts have been rewarding for the school, the parents, the children, and the credit union.

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