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A series of big ideas and policy concepts designed to foster conversation and debate within the policy community.

# Improving Economic Mobility Through Increased Savings

*Diane R. Calmus*

## Abstract

*Since the recession began, Americans' rate of savings has been on the rise. Yet too many still do not have savings to buffer them against an emergency. This is especially true for low-income Americans, far too many of whom are just a medical bill or broken-down car away from financial ruin. Fortunately, our better understanding of the role of savings in mobility, together with interesting experiments and programs to foster savings, could enable us to make a significant difference in the accumulation of financial capital in poorer households. Innovative programs of the sort outlined in this paper could engage Americans in setting aside money to plan for large purchases, unexpected emergencies, and retirement.*

This paper, in its entirety, can be found at **http://report.heritage.org/cpi_dp06**

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**The Heritage Foundation**
214 Massachusetts Avenue, NE
Washington, DC 20002
(202) 546-4400 | heritage.org



Several factors help to explain why some individuals and households move up the economic ladder and some do not.[1] We can think of them as three forms of "capital."

- *Human capital* means skills and knowledge that comes from education and such things as good health that improve one's productivity. It also means traits and attitudes, such as perseverance, grit and far-sightedness, which could be called character.

- *Social capital* refers to institutions like a stable family and a closely knit community, which nurture and reinforce the personal characteristics needed for upward mobility.

- *Financial capital* refers to savings, wealth, and investments.

Many Americans starting out at the bottom of the income ladder typically face deficiencies in all three forms of capital, and that makes it much harder for them to climb higher than a few rungs. Action is therefore needed on many fronts, from encouraging two-parent families to turning around inner-city public schools, to improve mobility. Fortunately, our better understanding of the role of savings in mobility, together with interesting experiments and programs to foster savings, could enable us to make a significant difference in the accumulation of financial capital in poorer households.

Financial capital is critical for economic mobility in several ways. As tough economic times have struck American families, the importance of emergency savings has become more obvious. Savings help to cushion a family against the potentially catastrophic impact of unexpected expenses such as medical expenses or car repairs.

A broken-down car may be a financial setback for a middle-class family, but it can be a financial catastrophe for a low-income family that depends on a car for a job. Moreover, without emergency savings, that family may be forced to turn to expensive alternative financial services such as pawn shops, title-loans, and expensive payday loans. A single unexpected expense for a family without savings can lead to a cycle of expensive loans, pushing the family into debt and further down the economic ladder.

**SAVINGS IS MORE THAN SIMPLY MONEY TO PAY UNEXPECTED BILLS. SAVINGS—AND, EVEN MORE IMPORTANT, THE CULTURE OF SAVING—ARE CRITICAL TO LONG-TERM AND CONSISTENT MOVEMENT UP THE ECONOMIC LADDER.**

Savings, however, is more than simply money to pay unexpected bills. Savings—and, even more important, the *culture* of saving—are critical to long-term and consistent movement up the economic ladder.

Studies have found a strong connection between family savings and increased future earnings. This connection is found both within the individual's lifetime and for the saver's child.[2] The improved mobility associated with savings clearly is partly the result of the ability to make purchases that improve income potential such as education or business expenses, financing relocation to a better job, or investing in a house or small business.

But a propensity to save is also associated with character traits like grit, determination, perseverance, and the ability to delay gratification that are necessary for consistent saving and generally helpful in other aspects of economic mobility such as completing college. The problem for many individuals, especially in low-income communities, is that weaknesses in traits like perseverance and delaying gratification make regular saving a major challenge, and this challenge is made worse by the societal pressures of American consumerism and what might be called the "lottery culture."

**A LACK OF FAMILIARITY WITH THE MAINSTREAM FINANCIAL SYSTEM IS MORE LIKELY TO DETER LOW-INCOME INDIVIDUALS THAN IT IS TO DISCOURAGE THEIR MIDDLE-CLASS COUNTERPARTS.**

Individuals are constantly bombarded with the message that they need to purchase the newest and best version of everything and to do it on credit if possible. This can be a particularly seductive message for individuals who frequently cannot make any nonessential purchases, leading them to spend all surpluses since they may not experience discretionary income again soon. And when friends and neighbors are spending rather than saving, it is very difficult for one person or one family to save consistently.

Other barriers to savings are less abstract and cultural. A lack of familiarity with the mainstream financial system is more likely to deter low-income individuals than it is to discourage their middle-class counterparts. Inconvenient bank locations and hours, high and unexpected bank fees, a negative banking experience, a lack of financial education, and distrust of banks can also lead many individuals to avoid banks and thus also miss out on bank services that can foster savings.

Fortunately, as outlined below, some interesting programs have developed that may help to address these issues and attitudes.

## Using the Gratification of a Lottery to Foster Long-Term Savings

If individual retirement accounts (IRAs) epitomize patience and the culture of long-term savings, then lotteries epitomize expensive short-term gratification and the "strike-it-rich" philosophy that undermines the propensity to save. According to *For a New Thrift*, a study on the debt culture, a household with an income of $12,400 or less in 2008 spent an average of 5 percent of its income on lottery tickets.[3] More remarkable than the mere amount spent on lottery is the view that it "is the most practical way" to save sufficient funds for retirement, a belief endorsed by 21 percent of Americans in one survey by Opinion Research Corporation.[4]

The lottery is understandably popular. It is exciting: For a small "investment," a person has the opportunity to dream big and envision a new life. Low-income individuals are

1. Stuart M. Butler, William W. Beach, and Paul L. Winfree, *Pathways to Economic Mobility: Key Indicators,* Pew Charitable Trusts, Economic Mobility Project, September 2008.
2. "Among adults who were in the bottom income quartile from 1984–1989, 34 percent left the bottom by 2003–2005 if their initial savings were low, compared with 55 percent who left the bottom if their initial savings were high…. Seventy-one percent of children born to high-saving, low-income parents move up from the bottom income quartile over a generation, compared to only 50 percent of children of low-saving, low-income parents." Reid Cramer, Rourke O'Brien, Daniel Cooper, and Maria Luengo-Prado, *A Penny Saved Is Mobility Earned: Advancing Economic Mobility Through Savings,* Pew Charitable Trusts, Economic Mobility Project, November 2009, http://www.pewtrusts.org/our_work_report_detail.aspx?id=56172 (accessed October 5, 2012).
3. Commission on Thrift, *For a New Thrift: Confronting the Debt Culture,* Institute for American Values, January 2008, http://www.newthrift.org/descriptions.htm (accessed November 29, 2012).

particularly attracted to this chance to leap to the top of the ladder, and they account for a disproportionately large portion of lottery ticket purchases.[5] Regrettably, after the excitement of the drawing passes, almost every player is left without the dream and without the dollar.

Is it possible, however, to apply some behavioral economics to the attractiveness of a lottery and devise ways to combine the short-term gratification of gambling with long-term savings?

**Save to Win.** One interesting example is a program called Save to Win. The program offers chance and excitement, but win or lose, the savings remain. Save to Win is a certificate of deposit (CD)–style account with an exciting twist: lottery-style drawings with the number of drawing entries based on the amount saved.[6] By harnessing the excitement of lottery, prize-linked savings work to make people excited about saving money. In fact, those who win a prize, no matter the size, are more likely to save regularly.[7] The accounts attract first-time savers and financially vulnerable consumers, and monthly prizes motivate consistent savings and divert lottery expenditures into savings.[8]

The Save to Win pilot program in Michigan was launched in 2009 with eight credit unions and resulted in 11,500 people saving $8.5 million. By 2011, it had expanded to more than 16,000 people saving over $37 million.[9] But despite this program's success, prize-linked savings is not permitted in most states: People can throw their money away on a ticket to win; they just cannot put savings aside for a ticket to win.

**THE SAVE TO WIN PILOT PROGRAM IN MICHIGAN WAS LAUNCHED IN 2009 WITH EIGHT CREDIT UNIONS AND RESULTED IN 11,500 PEOPLE SAVING $8.5 MILLION. BY 2011, IT HAD EXPANDED TO MORE THAN 16,000 PEOPLE SAVING OVER $37 MILLION.**

The ability to run this program in Michigan is the result of a loophole in the law governing credit unions that allows them to run "savings promotion raffles."[10] A few other states have adopted provisions allowing similar programs, and one state (Nebraska) has adopted a Save to Win program, but legal obstacles still impede widespread implementation.[11]

**Premium Bonds.** The power of a prize incentive to induce saving is not new. Since 1956, Britain has operated a national prize-linked saving program called Premium Bonds as a way to encourage savings through a government-sponsored savings bank. The Premium Bond system has created a great deal of excitement over the years with its anthropomorphized random number generator ERNIE, televised jackpot drawings, and the excitement of smaller winnings arriving in the mail.

Today, Britain has more than 26 million bondholders with more than £40 billion ($70 billion) invested.[12] The Premium Bond system readily admits that the bonds are not ideal for someone seeking regular and predictable investment income or protection from inflation,[13] but they do appeal to those who seek the thrill of the lottery and at least induce such people to save as the condition of a chance at the jackpot.

## Turning Inaction into Action by Making Savings the Default

The gap between good intentions and actual savings is a frequent topic of economic study. Saving is easy in the abstract, but when the

4. Andrea Coombes, "Six-Figure Savings? Most Say 'Unlikely'," MarketWatch, January 9, 2006, http://www.marketwatch.com/story/survey-20-say-lottery-is-most-practical-way-to-wealth (accessed October 19, 2012).
5. Joel Siegel, "State Lotteries Are Booming in Tough Times," ABC News, September 2, 2011, http://abcnews.go.com/Business/lottery-ticket-sales-surging-tough-economic-times/story?id=14435376 (accessed October 5, 2012).
6. See Save to Win, http://www.savetowin.org.
7. Doorways to Dreams (D2D) Fund, *A Win-Win for All: The Growth of Save to Win in Michigan*, October 2011, http://www.d2dfund.org/files/publications/11_STW2011_Report_lo-res_single.pdf (accessed October 9, 2012).
8. Doorways to Dreams (D2D) Fund, *Save to Win: 2009 Final Project Results*, April 2010, http://www.d2dfund.org/files/publications/save%20to%20win%20 final_lores.pdf (accessed October 9, 2012).
9. See Michigan Credit Union League, "Save to Win: A Prize-Linked Savings Program for Michigan Credit Unions," http://www.mcul.org/Save_to_Win_2367.html (accessed November 6, 2012). See also D2D Fund, *A Win-Win for All: The Growth of Save to Win in Michigan*.
10. D2D Fund, *Save to Win: 2009 Final Project Results*.
11. For additional information on state legislative efforts to permit prize-linked savings accounts, see D2D Fund, http://www.d2dfund.org/Legislative_Success.
12. See National Savings and Investments, "Premium Bonds—A £1 Million Jackpot Every Month," http://www.nsandi.com/savings-premium-bonds (accessed November 29, 2012).

hypothetical decision to skip the daily coffee shop visit turns into a real-life day without a morning pick-me-up, willpower often falters, and good intentions remain just intentions. When savings consist of what is left at the end of the month, saving requires a constant act of willpower.

**AUTOSAVE INCREASES PARTICIPATION BY MAKING SIGNING UP SIMPLE AND THEN MAKING DEPOSITS AUTOMATIC UNLESS THE INDIVIDUAL TAKES ACTION TO STOP SAVING.**

**AutoSave.** AutoSave is a way to use inertia to promote savings by automating the process of saving and reducing the need for constant willpower.[14] It allows employees the option of diverting a portion of their direct-deposited paycheck into a no-fee savings account.[15] Although many employers allow employees to save in this manner, few employees act on this option. AutoSave increases participation by making signing up simple and then making deposits automatic unless the individual takes action to stop saving. The benefit is that money is placed in savings before the employee ever sees the money, resulting in less temptation to spend the saved amount while leaving the money liquid and accessible when needed.

AutoSave makes the process as simple as possible by minimizing paperwork and include forms with other new hire papers.[16] Once the individual signs up, saving is automatic. Although the money is accessible when necessary, the individual does not simply receive it in their paycheck but must go to the bank to withdraw the money in person.

**Save More Tomorrow.** Future good intentions are coupled with automated savings in the Save More Tomorrow plan.[17] Most people know they should save and want to do so but without the difficulty of making a current sacrifice. Using the framework of the employer-provided retirement savings plan, Save More Tomorrow tackles the problem of employees' failure to make sufficient contributions by using psychology and behavioral economics to spur action. Employees are contacted before they receive a raise, and participants agree to save any future raises they receive before they actually experience a higher income level and get used to spending more.

Even though participants are free to change their minds at any time, most do not do so. In one company, 78 percent of employees joined, and of those, 98 percent remained through two pay raises and 80 percent remained in the program after four pay raises.[18] More important, the rate of savings increased from 3.5 percent to 13.6 percent of income over just 40 months.[19]

## Linking Savings to Specific Goals

Creating a habit of savings is the essential first step. The next is to enable saved money to grow and remain in an account in order to achieve particular financial goals. For many low-income families, the goal of saving money is impeded by American consumer culture, pressure from family and friends, and a belief that small amounts of money are not worth saving.

**Super Saver CDs.** The Super Saver Certificate of Deposit is a savings instrument offered through some credit unions that is designed to clarify savings goals and incentivize follow-through.[20] Similar to a traditional CD, the Super Saver CD carries a condition requiring that the money must remain in savings for a specified period of time. The time frame is selected by the holder based on a selected savings goal (such as school expenses or Christmas gift purchases).

13. Moneywise, "Are Premium Bonds Really a Good Deal?" updated June 21, 2012, http://www.moneywise.co.uk/banking-saving/savings-accounts-isas/are-premium-bonds-really-good-deal (accessed September 28, 2012).
14. Alejandra Lopez-Fernandini and Caroline Schultz, "Automatic Savings in the Workplace: Insights from the AutoSave Pilot," New America Foundation, January 2010, http://assets.newamerica.net/sites/newamerica.net/files/policydocs/AutoSave%20Insights%20Paper%20Final%201-15-10_0.pdf (accessed September 28, 2012).
15. Without AutoSave, even though employees could elect to place a portion of their paycheck in savings, very few employees actually did so.
16. Phase two of the AutoSave pilot is scheduled to launch this year as an opt-out program, automatically enrolling all employees and removing employees only if they actively opt out. Unlike retirement accounts, which can be offered by employers on an opt-out basis under the Pension Protection Act of 2006, regular savings accounts cannot easily be opened on behalf of an employee, leaving a program like AutoSave searching for legal loopholes to allow the program to continue. Lopez-Fernandini and Schultz, "Automatic Savings in the Workplace: Insights from the AutoSave Pilot."
17. This program is currently used for retirement savings; however, it could be applied to emergency savings.
18. Richard H. Thaler and Shlomo Benartzi, "Save More Tomorrow: Using Behavioral Economics to Increase Employee Savings," *Journal of Political Economy*, Vol. 112, No. 1 (February 2004), http://faculty.chicagobooth.edu/richard.thaler/research/pdf/SMarTJPE.pdf (accessed September 28, 2012).
19. Ibid.

Unlike a traditional CD, which generally requires a $1,000 deposit up front, Super Saver CDs require a $15 initial deposit, and additional amounts can be deposited at any time. The saver commits to saving a specified amount monthly, weekly, or in total. Forfeiture of accrued interest or early withdrawal penalties occur if savings goals are not met, creating an incentive to follow through on the intention to save instead of spending on immediate gratification.

**THE SUPER SAVER CD DEMONSTRATES THAT A SAVINGS INSTRUMENT CAN BE SIMPLE YET EFFECTIVE WHEN DESIGNED TO CONSIDER THE NEEDS AND APPROPRIATE INCENTIVES FOR THE LOW-INCOME SAVER.**

The Super Saver CD demonstrates that a savings instrument can be simple yet effective when designed to consider the needs and appropriate incentives for the low-income saver.

## Designing Services for Low-Income Savers

The financial services required by low-income individuals typically are different from those required by middle- and upper-income individuals. Inconvenient bank locations and hours, potentially high and uncertain bank fees, and lack of financial literacy often lead to the feeling in some lower-income households and communities that a bank is not a place to keep their money and handle transactions. The result is that they lose out on the convenience, security, and savings instruments offered by banks.

In such communities, the common financial institutions are often pawnshops and storefront operations that specialize in check cashing, title-loans, and payday loans, but some banking institutions are devising services that better recognize the needs and prevalent attitudes of lower-income communities.

**Bank On.** Bank On is a program organized with the help of some financial institutions to address some of these barriers to saving.[21] It began in San Francisco in 2006 as a partnership among state and local governments, financial institutions, and community-based organizations.

Under this program, financial institutions create accounts that meet certain basic criteria such as low or no-minimum balance requirements, low and transparent fees,[22] waiver of first-overdraft fees, free debit card, and free use of bank ATMs. Accounts are designed to attract both the never-banked and those who need a second chance after an unsuccessful past banking experience (frequently an overdrawn account). Partner organizations provide financial education so that account holders can gain essential skills for using the account and managing their finances. The ultimate goal is to facilitate long-term relationships between individuals and banks or credit unions by designing cost-neutral or profitable accounts that serve the needs of the individual.[23]

**THE BANK ON PROGRAM'S ULTIMATE GOAL IS TO FACILITATE LONG-TERM RELATIONSHIPS BETWEEN INDIVIDUALS AND BANKS OR CREDIT UNIONS BY DESIGNING COST-NEUTRAL OR PROFITABLE ACCOUNTS THAT SERVE THE NEEDS OF THE INDIVIDUAL.**

Bank On programs are now available in more than 30 cities, four states, and two regions. The Dodd–Frank financial legislation allowed the U.S. Department of the Treasury to adopt a Bank On USA initiative, although no funds have been appropriated for its implementation.[24]

**Model Safe Accounts.** Bank On is not the only initiative to address the institutional barriers to saving. The importance of the proper account design is demonstrated by the Federal Deposit Insurance Corporation (FDIC) Model Safe Account.[25]

20. Chelsea Prescotti, "Super Saver CD Helps Low-Income Earners Save," Corporation for Enterprise Development, November 17, 2011, http://cfed.org/blog/inclusiveeconomy/super_saver_cd_helps_low-income_earners/ (accessed October 17, 2012).
21. For more details on the Bank On program, visit Bank On, http://joinbankon.org/ (accessed November 29, 2012).
22. As a result of financial regulation reforms, bank fees are on the rise to cover lost revenue from debit card interchange fees, making it difficult for Bank On programs to negotiate the desired low fees.
23. This objective has not been universally effective. Based on the department within the bank involved in the project, some banks view Bank On as a charitable activity, and banks that view Bank On as a charitable activity have minimal internal data collection tracking the use of the accounts to determine profitability. See Genevieve Melford and Michelle Nguyen, *Partnerships You Can Bank On: Sustainable Financial Institution Engagement in Bank On Programs*, Corporation for Enterprise Development, March 2012, http://cfed.org/knowledge_center/publications/partnerships_you_can_bank_on_sustainable_financial_institution_engagement_in_bank_on_programs/ (accessed September 25, 2012).

The Model Safe Account pilot program was a one-year test to demonstrate the viability of low-cost accounts as a way to serve the unbanked and underbanked. Model Safe Accounts are fully electronic accounts with low balance requirements, minimal maintenance fees, and no overdraft or insufficient-funds fees.[26] No formal educational programming and support are provided, although bank tellers were trained to provide basic information to help account holders succeed.[27]

Model Safe Accounts represent a means of reaching the underbanked or unbanked without the extensive organization requirements and costs of the Bank On program. The FDIC is currently reviewing the results from the pilot program to determine the appropriate means for a widespread rollout of Model Safe Accounts.

**RiteCheck.** One check-cashing service has partnered with a local credit union to allow people to choose saving even without a bank.[28] At RiteCheck in the Bronx, New York, customers can easily open a free savings account. Although the account is actually managed through a local credit union, all "banking" can be done at RiteCheck.

**PayNet Deposit Program.** The PayNet Deposit Program is similar to RiteCheck. It allows credit union customers to "bank" at check-cashing faculties.[29] The program is still geographically limited, but it is a promising way to reach a population that is unlikely to enter a bank. It is particularly important to certain populations, such as taxicab drivers who need to make off-hours deposits.[30]

Some critics have argued that the program is nothing more than an attempt to redeem the reputation of check-cashing services.[31] Admittedly, the program does not address the high cost of check-cashing services, but it appears to be a promising way to allow this hard-to-reach population an opportunity to save.

## Matching Funds to Make Savings Grow Faster

**Individual Development Accounts.** For low-income families with little discretionary income to save, the growth of savings that are safe can be discouragingly slow. This can make savings seem futile to many people—one reason why the lottery can seem attractive.

**INDIVIDUAL DEVELOPMENT ACCOUNTS ARE DESIGNED TO ENABLE SAVERS TO REACH A GOAL FASTER BY MATCHING SAVED FUNDS. WHEN THE SAVINGS GOAL IS MET, THE SAVED AND MATCHING FUNDS ARE USED TO PURCHASE A FINANCIAL ASSET.**

Individual Development Accounts are designed to address this problem by enabling savers to reach a goal faster by matching saved funds. Savers complete financial education courses and financial counseling and then open an IDA account at a partner financial institution and begin saving. Accounts are only for asset-building expenses: usually education, entrepreneurship, or the down payment on a home. When the savings goal is met, the saved and matching funds are used to purchase a financial asset.

The match amount varies from a dollar-for-dollar match up to $4 matched for each dollar saved, depending on the specific

24. Dodd–Frank does not, however, provide any funding for Bank On USA, leavings its role and future largely unclear. See U.S. Department of the Treasury, Office of Financial Education and Financial Access, *Banking on Opportunity: A Scan of the Evolving Field of Bank On Initiatives*, 2011, http://www.treasury.gov/resource-center/financial-education/Documents/Banking%20On%20Opportunity%20Nov%2011.pdf (accessed September 28, 2012). Page 2 reflects that the study was "Prepared by the National League of Cities Institute for Youth, Education and Families under contract with CFED and the U.S. Department of the Treasury. Assistance was additionally provided by CFED, the New America Foundation, and the San Francisco Office of Financial Empowerment."
25. Federal Deposit Insurance Corporation, *FDIC Model Safe Account Pilot: Final Report*, April 2012, http://www.fdic.gov/consumers/template/SafeAccountsFinalReport.pdf (accessed September 28, 2012).
26. The characteristics are based on FDIC survey data.
27. Federal Deposit Insurance Corporation, *FDIC Model Safe Account Pilot: Final Report*.
28. Fannie Mae Foundation, "Innovations in Personal Financing for the Unbanked: Emerging Practices from the Field: Bethex Federal Credit Union and RiteCheck Partnership," Fannie Mae Foundation *Case Study*, 2003, http://content.knowledgeplex.org/kp2/cache/documents/5622.pdf (accessed October 9, 2012).
29. Katy Jacob, "The PayNet Deposit Program: Check Casher–Credit Union Partnerships and the Point of Banking Machine," Center for Financial Services Innovation *Research Series Report* No. 2, October 2004, http://cfsinnovation.com/system/files/imported/managed_documents/pobpaper.pdf (accessed October 9, 2012).
30. William Launder, "Credit Union for Taxi Drivers Joins Deposit Program," *American Banker*, July 2, 2007, http://cfsinnovation.com/system/files/imported/managed_documents/american_banker_070207.pdf (accessed October 9, 2012).
31. Winnie Hu, "Criticism Grows as Check-Cashing Stores Expand in Poorer Areas," *The New York Times*, August 5, 2012, http://www.nytimes.com/2012/08/06/nyregion/as-check-cashers-expand-services-in-poorer-areas-criticism-grows.html?_r=0 (accessed October 9, 2012).

IDA program and the purpose of the funds.[32] The accounts, typically offered at a local bank or credit union and run by a nonprofit organization, are funded by a combination of federal funding and private sources. Federal funding is established as a component of the Personal Responsibility and Work Opportunity Act of 1996.[33] The federal portion is a small part of the nearly $130 billion the federal government spends to encourage savings through tax-advantaged treatment of 401(k) contributions and qualified tuition programs, also known as 529 plans, virtually all of which goes to high-income taxpayers.[34]

Nonprofit partner organizations do more than just raise funds to finance the match. They provide financial education, help clarifying financial goals, and support. The money in these accounts cannot, however, be used for any expense.

Financial education teaches budgeting and money management, basic financial literacy, and understanding of financial services. Education specific to the savings goal is also provided (for example, courses on choosing a home loan and successful homeownership). This education has proved to be an essential component of the success of these programs. An Urban Institute/Corporation for Enterprise Development (CFED) study found that homeowners who saved a down payment through an IDA were two to three times less likely to face foreclosure than similarly situated families were.[35]

The overall impact of IDAs in allowing low-income individuals to achieve financial goals is still not universally accepted.[36] Sweeping generalizations about IDA programs are difficult to make because dramatic differences in requirements and programming, as well as individual accountholder engagement, can substantially alter outcomes.[37] Lackluster program outcomes simply highlight the importance of making certain that programs are well designed and targeted to appropriate populations.

## Conclusion

Saving money is not easy, but it is important. Since the recession began, Americans' rate of savings has been on the rise. Yet too many still do not have savings to buffer them against an emergency. This is especially true for low-income Americans, far too many of whom are just a medical bill or broken-down car away from financial ruin.

Innovative programs of the sort outlined in this paper, if implemented, can and will engage Americans in setting aside money to plan for large purchases, unexpected emergencies, and retirement.

*—**Diane R. Calmus** is a Research Assistant in the Center for Policy Innovation at The Heritage Foundation.*

32. Interestingly, increased matching resulted in reaching the goal faster but resulted in less saving by the accountholder. Brigitte C. Madrian, "Matching Contributions and Savings Outcomes: A Behavioral Economics Perspective," National Bureau of Economic Research *Working Paper* No. 18220, July 2012, http://www.nber.org/papers/w18220.pdf?new_window=1 (accessed October 9, 2012).
33. Other IDA programs have been established for certain target groups, such as Beginning Farmer and Rancher Individual Development Account; the Office of Refugee Resettlement's Individual Development Accounts; and Assets for Independence, offered through the Office of Community Service.
34. Cramer et al., *A Penny Saved Is Mobility Earned: Advancing Economic Mobility Through Savings.*
35. Ida Rademacher, Kasey Wiedrich, Signe-Mary McKernan, Caroline Ratcliffe, and Megan Gallagher, *Weathering the Storm: Have IDAs Helped Low-Income Homebuyers Avoid Foreclosure?* Corporation for Enterprise Development and Urban Institute, April 2010, http://www.urban.org/uploadedpdf/412064_weathering_the_storm.pdf (accessed October 9, 2012).
36. Kristin V. Richards and Bruce A. Thyer, "Does Individual Development Account Participation Help the Poor? A Review," *Research on Social Work Practice*, Vol. 21, No. 3 (May 2011), pp. 348–362, http://rsw.sagepub.com/content/21/3/348.short (accessed October 9, 2012).
37. See, for example, Yvette Murphy-Erby, Shikkiah Jordan, Marcia Shobe, and Kameri Christy-McMullin, "Individual Development Accounts and Social Justice," Forum on Public Policy, 2009, http://forumonpublicpolicy.com/spring09papers/archivespr09/murphy-erby.pdf (accessed October 9, 2012), and Michal Grinstein-Weiss, Michael Sherraden, William Gale, William M. Rohe, Mark Schreiner, and Clinton Key, "The Ten-Year Impacts of Individual Development Accounts on Homeownership: Evidence from a Randomized Experiment," Brookings Institution, March 4, 2011, http://www.brookings.edu/~/media/research/files/papers/2011/3/04%20homeownership%20gale/0304_homeownership_gale.pdf (accessed October 9, 2012).