



Preliminary Results of MASSCAP Asset Formation Initiative

Sandra Venner

Working Together to Build Wealth in Lower-Income Communities
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Survey of EITC Filers at Tax Preparation Sites

February – April 2007

Ten Community Action Agencies:

Cape & Islands, Fall River, Fitchburg, Greenfield,
Medford/Malden/Melrose, North Shore, Pittsfield,
Quincy, Somerville, and South Shore

Number of respondents: 213

Demographics

Gender: Over three-quarters are female

Age: Almost 80% are between ages of 24 and 55

Education: 14% do not have high school diploma

60% have graduated from high school, but do not have a college degree

Housing: 14% do not have stable housing

66% are renters; almost half have a rental subsidy

Public Assistance: Almost half of those with wages also get some type of public assistance

Debt (Four intensive study sites only – 101 respondents)

- Over 80% of respondents owe money
- 80% have a problem meeting routine expenses, but only half that number report having serious financial problems
- More single parents have debt (90%), although income is lower

Source of Debt

Amount of Debt

	Percent
Credit card bills	58.0
Utility bills	43.0
Borrowed money for others	30.0
Medical bills	21.0
School loans	17.0

- 39% owe \$1-5,000
- 16% owe \$10,000 or more
- Of those who owe \$5,000 or more and do not own a home,
89% owe on credit cards
58% borrowed money
52% owe for utilities

Tax Refund

- Regardless of size of tax refund, everyday expenses is top priority
- For those with refunds more than \$500, paying off debt takes on greater importance
- Intent to put money in savings goes up with the size of refund
 - Half of those anticipating refund over \$4,000 plan to save

Use of Savings

- All view paying off bills as an important use of savings
- About half would like to use savings for asset building activities such as increasing job skills and buying a home

Families with Children

- Three-quarters of respondents have children under age 18
- While families have roughly same income distribution as other respondents, 22% have \$10,000 or more in debt vs 12% of other respondents

Families typically receive larger tax refund and therefore can use it for more purposes:

Differences in planned use of EITC

	Families	All others
Everyday expenses	72%	54%
Pay off credit card debt	48	25
Put into savings	47	26
Buy or repair car	36	16
Education or job training	19	11

Banked vs Unbanked

15% of respondents do not have a banking account

Of those who do not have a banking account:

- 42% are male vs 18% of banked respondents
- Less education
 - 29% did not graduate from high school vs 12%
 - 39% have no more than a high school degree vs 30%
- Poorer
 - 38% have income of \$5,000 or less
 - Another 28% have income of \$10-15,000
- Roughly same debt pattern

Follow-up Survey of EITC Recipients June – September 2007

Four Community Action Agencies:

Greenfield, Medford/Malden/Melrose, Quincy,
and South Shore

Number of respondents: 39

Use of Tax Refund

- More used refund for everyday expenses (68%) than planned (48%)
- Almost 40% put money into a savings account, the same percent who planned to but not as many as had hoped to save
- Most frequently, planned savings were deferred due to need to pay off bills or purchase or repair a vehicle
- Of those who put money into savings, nearly half saved less than \$500
- Most common planned uses of savings are buying or repairing car and child's education; few plan to invest in long term assets
- Over 40% thought that financial education classes prior to receiving the EITC would help to reach savings goal

Survey of Financial Education Participants

May – June 2007

Eight Community Action Agencies:

Fall River, Fitchburg, Greenfield, Medford/Malden/Melrose,
North Shore, Pittsfield, Quincy, and South Shore

Number of respondents: 64

Demographics

Gender: 90% are females

Age: Over 90% are between ages of 24 and 55

Education: 94% have at least a high school degree or GED; 42% have a college degree

Housing: 87% are renters; 40% have a rental subsidy

Work: Over 90% work, most full time or more than full time

Children: Over 80% have at least one child at home

– 68% of children are under age 14

Financial Status

Over 90% are banked, but 25% do not have a savings account

Amount of Debt

- 87% have non-mortgage debt
- 33% owe \$1-5,000
- 40% owe \$10,000 or more

Saving

- 43% save regularly
- Of those who save, over 70% save \$20-100 per month

Barriers to Saving

- Daily expenses (utility bills, housing costs, transportation)
- Debt and loaning money to friends and family
- Low income or job instability

Money Management

- 94% manage their own finances
- Three quarters turn to family and friends for financial advice
- Almost half seek financial advice from community organizations

Why people want financial education

- **Save for home:** “I want to learn how to better manage my finances so I can someday be a homeowner and better provide for my family.”
- **Business:** “Help with building my business and it sounded so good.”
- **Matched Savings:** “The matched savings program is a wonderful opportunity and unheard of to me. I am hoping to better manage my income to become more financially stable.”
- **Manage debt:** “I need to know more about keeping myself out of debt, and more about money and making something out of it.”

Key Observations

- Majority struggling to stay on top of routine expenses
- Vast majority have debt which they are working to get out from under
- Although face barriers, many see value of saving
- Many ready to work on becoming more financially stable