Preliminary Results of MASSCAP Asset Formation Initiative

Sandra Venner

Working Together to Build Wealth in Lower-Income Communities
December 3, 2007
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

<table>
<thead>
<tr>
<th>Source of Debt</th>
<th>Amount of Debt</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit card bills 58.0</td>
<td>39% owe $1-5,000</td>
</tr>
<tr>
<td>Utility bills 43.0</td>
<td>16% owe $10,000 or more</td>
</tr>
<tr>
<td>Borrowed money for others 30.0</td>
<td>Of those who owe $5,000 or more and do not own a home, 89% owe on credit cards</td>
</tr>
<tr>
<td>Medical bills 21.0</td>
<td>58% borrowed money</td>
</tr>
<tr>
<td>School loans 17.0</td>
<td>52% owe for utilities</td>
</tr>
</tbody>
</table>
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**

<table>
<thead>
<tr>
<th></th>
<th>Families</th>
<th>All others</th>
</tr>
</thead>
<tbody>
<tr>
<td>Everyday expenses</td>
<td>72%</td>
<td>54%</td>
</tr>
<tr>
<td>Pay off credit card debt</td>
<td>48</td>
<td>25</td>
</tr>
<tr>
<td>Put into savings</td>
<td>47</td>
<td>26</td>
</tr>
<tr>
<td>Buy or repair car</td>
<td>36</td>
<td>16</td>
</tr>
<tr>
<td>Education or job training</td>
<td>19</td>
<td>11</td>
</tr>
</tbody>
</table>
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 for 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