



MANY FACES OF SAVING: THE SOCIAL DIMENSIONS OF SAVER PLUS

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Working for an Australia free of poverty

saverplus

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SUMMARY

Saver Plus is a financial inclusion program which aims to assist low-income families and individuals to develop a saving habit, build assets and improve their financial capability. Saver Plus is an initiative of the Brotherhood of St Laurence and ANZ, delivered in partnership with The Smith Family, The Benevolent Society and Berry Street and other local community agencies.

The program is funded by ANZ and the Australian Government Department of Families, Housing, Community Services and Indigenous Affairs, with ANZ providing matched savings for participants. This report presents the findings of a small-scale qualitative study involving interviews with 18 past Saver Plus participants.

This research provides insights into the social and economic factors impacting upon the participants' ability to participate in the Saver Plus program, the ways they make decisions about money and saving and on their financial situations more broadly. It highlights the social benefits of Saver Plus, as identified by the participants, but also reveals the constraints and barriers faced by more-disadvantaged participants and those who withdrew from the program before completion.

The research reveals the complexity and diversity of the participants' lives, among even a small group of low-income parents, mostly mothers. Prior to their involvement in the Saver Plus program, most participants had utilised a range of strategies to manage their low-income households with limited resources. These strategies included thrift and frugality in grocery and food shopping and 'smoothing' larger expenses and bills across the year. A small number of participants had also engaged in saving before Saver Plus, but this was typically ad hoc and involved small amounts.

After participating in Saver Plus many participants adopted new budgeting strategies aimed at reducing expenses outside the home and differentiating between their 'needs' and 'wants' as consumers. A smaller number of participants continued the saving habit they had developed during the program and others indicated a strong desire to save but had been unable to do so regularly in practice. The factors which influenced ongoing saving included external factors such as limited and fluctuating incomes or unexpected expenses; logistical factors such as lack of direct debit to facilitate saving; and motivational factors mostly related to participants lacking a new 'savings goal'. The study also revealed that after Saver Plus some participants were regularly saving while also making minimum repayments on existing debts or accumulating further debts. These debts were often related to the purchase of household items involving an 'interest free period' offer or store cards, both of which typically have high interest rates.

The interviews with eight 'non-completers' / 'early leavers' revealed several issues which significantly impacted upon their participation. Some faced difficulty meeting the Saver Plus monthly deposits due to fluctuating or irregular income. The early leavers also generally fell into two groups: the first had low incomes combined with high debts and other household expenses which made it difficult to make ends meet and the second had slightly higher incomes combined with a more relaxed approach to household budgeting and a resistance to 'micro-managing' their finances. Difficulties in setting up electronic banking and transfers also discouraged some participants from completing the program.

SUMMARY

Low incomes combined with high expenses restricted the capacity to save, regardless of the individuals' intentions or capabilities.

The report includes recommendations regarding ways in which the Saver Plus program could strengthen ongoing saving after program completion, better meet the needs of participants and encourage early leavers to remain in the program. These recommendations are to:

- > encourage planning for post-Saver Plus savings goals
- > offer a one-on-one consultation with a Saver Plus worker at the end of the program, particularly for participants dealing with high debts or financial difficulty
- > provide guidance for participants in prioritising expenses, including debt repayments, when resources are limited
- > provide more flexibility in Saver Plus deposit requirements.

While saving and budgeting were the primary focus, the study also reveals the broader context in which financial decisions are made, including the factors which limit income or increase expenses. Low incomes combined with high expenses restricted the capacity to save, regardless of the individuals' intentions or capabilities. Employment conditions, particularly casual employment, and receipt of child support had a major impact on both the size and reliability of participants' incomes. Major expenses such as the high cost of housing (particularly for those in private rental), education costs and debt repayments all affected the capacity of households to save regularly. Further, the extent to which the coupled participants had control over financial decisions within their own household also influenced successful participation in the program.

This report makes further recommendations regarding some broader policy issues which were found to constrain saving and asset accumulation for the participants. These are to:

- > increase regulation of unfair and unsafe credit products
- > increase safe and affordable credit products for low-income households
- > address the ways in which current income support arrangements act as a disincentive to increase income from paid work
- > address housing affordability and the increasing costs of education.

Overall, this report argues that saving is a multidimensional activity which must be understood at both an individual and a broader structural level. The facilitation of saving behaviour in low-income families must also take place at both levels.

This report presents the findings of a small-scale qualitative study exploring the social and economic context in which Saver Plus participants attempt to save money and manage their finances during and after the program. It provides some insights into the social factors impacting upon individuals' decisions and ability to participate in the Saver Plus program and on their savings and financial situations more broadly. The report highlights the social benefits of Saver Plus as identified by a small group of participants, but also provides greater understanding of the constraints and barriers faced by more-disadvantaged participants, particularly those who withdrew from the program before completion.

1.1 THE SAVER PLUS PROGRAM

The Saver Plus program was developed in 2002 as a partnership between ANZ and the Brotherhood of St Laurence. Since 2003, the program has been extended through partnerships with other community organisations, including The Smith Family, The Benevolent Society and Berry Street. Aside from ANZ's investment, additional funding has been provided by the Victorian and Commonwealth governments. In 2009, the Australian Government (through the Department of Families, Housing, Community Services and Indigenous Affairs) committed to supporting a national expansion of the program from the existing 20 sites concentrated mainly in Victoria and New South Wales to 60 sites across Australia.

Saver Plus aims to assist low-income families and individuals to develop a saving habit, build assets and improve financial capability. Saver Plus participants set a savings goal and receive support and education to help them achieve it. When they reach their goal, ANZ matches their savings, dollar for dollar, up to \$500 (until 2009, this amount was \$1000). The matched savings must be spent on costs relating to participants' vocational training or their children's education.

To be eligible for the program, participants must be 18 years or older, and be either the parent or guardian of a child attending school in the current year or the next year, or be themselves attending or returning to accredited vocational education. All participants must also have a current Health Care Card or Pensioner Concession Card, and have regular income from their own or their partner's paid employment.

Upon joining the program, participants must identify and work towards an eligible education-related 'savings goal' as agreed in a signed Saver Plus Participation Agreement. They must open an ANZ Progress Saver¹ account and make regular and consistent deposits over 10 to 18 months (now restricted to 10 months). Participants must complete at least 10 hours of financial education from ANZ's MoneyMinded program, generally conducted in four modules of two and a half hours². Upon reaching their savings goal, participants receive an equivalent amount from ANZ up to \$500. These funds must be used for an educational purpose, and the money is paid directly to the supplier, or as a reimbursement to the participant on the provision of receipts. All stages of the program – enrolment, ongoing communication, workshops and payment arrangements – are managed by the local Saver Plus worker (employed by the local delivery agency) at a particular site.

Previous evaluations of the Saver Plus program (conducted by Roslyn Russell and colleagues at RMIT University) have been consistently positive – indicating that the program has a high degree of support from participants, including early leavers (see for example Russell et al. 2009). Key findings have included positive outcomes for participants in terms of a tangible reward through the matched funding, confidence building, and acquisition of skills through the workshops; and for some, longer-term changes in the way they save. Some participants in previous evaluations have also identified flow-on effects to their children related to improved saving practices and education about saving.

¹ Consider if this product is right for you. Please read terms and conditions before acquiring the product.

² Participants refer to these as 'Saver Plus workshops'.

Profile of Saver Plus participants

Previous evaluations show that the vast majority of participants in Saver Plus are women with children. In an evaluation spanning April 2006 to June 2009, analysis of a sample of 2802 Saver Plus participants (out of a total of 4,110 participants during this period program wide) revealed that over half (54%) were sole parents, and almost a third (29%) were part of a couple with children. Over a quarter of participants (26%) held a TAFE qualification, 19% held a tertiary qualification and similar numbers had Year 12 or Year 10 qualifications (23% and 20% respectively) (Russell et al. 2009).

One of the eligibility requirements for Saver Plus was paid employment (either the Saver Plus participant or their partner). In the above evaluation the highest percentage of participants were engaged in part-time employment (44%) and many were casual workers (38%) (Russell et al. 2009, pp. 13–14).

Benefits of Saver Plus

Overall, nearly all the participants surveyed between April 2006 and June 2009 (99%) reported a positive experience in the Saver Plus program. There was a high completion rate among surveyed participants, with 83% receiving the matched funds, 56% meeting their savings goal, and 40% exceeding it. When participants were asked if they could continue to save the same amount or more after completion, 80% indicated that they believed they could. Around 80% of participants saved towards their child's education and the most common items were computers or computer-related equipment, followed by general education costs such as uniforms, textbooks or school fees (Russell et al. 2009).

Existing saving attitudes and levels at program entry

The same Saver Plus evaluation showed that 89% of surveyed participants were already engaged in some form of saving practice when they entered the program—31% saving a regular set amount, 33% saving an odd amount when possible, and 25% saving what was left over after their other expenses were paid (Russell et al. 2009).

Difficulties faced by Saver Plus participants

Russell and colleagues (2009) also reported that one in four of the participants surveyed reported having difficulties which affected their ability to save at some point during the program, and the same number missed one or more payments but were able to catch up later. Most common difficulties were unexpected bills (over 50%), reduced paid work hours or loss of employment, illness or death in the family and relationship breakdown. Only 10% of participants reported using credit or borrowing money at some point in order to meet their savings deposits. While 54% of participants reported their income remained consistent for the duration of the program, just under half (46%) of participants had incomes which varied at some point.

During the period April 2006 to June 2009, the proportion of Saver Plus participants who did not complete the program was 17%. The main reasons for dropping out were: missed deposits (36%), loss of income (13%), not contactable (13%), major sudden expense (10%), and other (18%) (Russell et al. 2009).

Overall, Russell and colleagues found that the main difference between participants who dropped out of the program and those who completed were financial not behavioural. Participants who dropped out were more likely to have had slightly lower incomes, less existing savings prior to Saver Plus, more difficulty managing credit card debt, and more cash flow problems (Russell et al. 2009).

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Social dimensions of Saver Plus

This study adds to the existing evaluations by using a sociological framework to provide a wider view of participation in the Saver Plus program, including the impact of broader social, economic and structural issues which might affect the capacity for low-income people to successfully participate. Indeed, as outlined above, the existing literature already points to a range of social and economic factors which appear to contribute to whether participants finish the program. Greater understanding of the effect of these issues, particularly on those participants likely to withdraw, or be withdrawn, could enable Saver Plus to minimise early exits from the program.

One of the key questions for this study is therefore to pay attention to the economic, cultural and social environments within which a small group of past Saver Plus participants make financial decisions. Through understanding their experiences of the program, and their life circumstances more broadly, it may be possible to better meet the diverse needs of Saver Plus participants.

This research aims to:

- > investigate the social factors impacting upon individuals' decisions and capacity to participate in Saver Plus and on their savings and financial situation in general
- > identify the social benefits of Saver Plus
- > identify social barriers which might discourage potential participants or affect completion of Saver Plus by more-disadvantaged participants.

The vast majority of Saver Plus participants are women with children, many of them single mothers. These women all manage households and care for their children on a low income. Their decisions about saving, spending and credit are shaped, in part, by their experiences of poverty and life on a low income, the gendered division of labour within the family, economic dependency and the low-wage labour market. At the same time, factors such as the ability to make calculations and manage and understand risk, and how they allocate limited resources between short-term and long-term goals also affect decisions about spending and saving money.

This chapter provides a brief overview of findings from other research looking at experiences of life on a low income, particularly for women with children. It also looks at more general research findings about individuals' decision making and calculations about financial matters.

2.1 LIFE ON A LOW INCOME

The livelihoods approach used by Ruth Lister (2006) draws on the social and economic contexts of saving and money in the lives of people living on a low income while also allowing for an examination of individual choice. Lister's starting point is that 'poverty is both a material condition and a social relation' defined by a combination of insufficient money and poor living standards (p. 9). This approach highlights the constant insecurity and vulnerability to even minor mishaps that people on low incomes experience, compared with people on higher incomes who also face such mishaps but can endure them without crisis. Thus a 'livelihood' framework offers a perspective for thinking about the role of savings in increasing material security for people on low incomes. Within this framework is an understanding of the vulnerability context in which people live; but also an understanding of individual agency, that is how people respond to and make choices within that context. Finally, the framework examines the kinds of resources or assets drawn on by low-income people, including, but not limited to, financial assets (Lister 2006).

The above approach makes an important distinction between risk and vulnerability. People face risk if there is a chance of something bad happening to them, but not all people facing risk can be defined as vulnerable. People are vulnerable when, if something negative happens, it will damage them (Spicker 2001). Linked to the notion of vulnerability is the state of precariousness. Precariousness occurs in diverse social contexts and labour markets. For example, people who are precariously employed and who suffer from consistent disadvantage are likely to respond differently to particular situations than those who are in secure employment (Spicker 2001, p. 27). People on low incomes frequently experience a combination of 'precariousness', 'material insecurity' and 'income vulnerability' (Lister 2006).

The vulnerability context for many low-income people includes 'shocks' which affect both income and expenses – such as job loss, relationship breakdown, burglary and theft, equipment failure and property damage or homelessness caused by natural disaster. In this context, saving can be seen as one way to build 'resilience' to these shocks because assets can be mobilised to resist or recover from the negative effects of a changing environment. Some of these 'shocks', and the capacity to resist them, are also shaped by broader structures including the labour market, the housing market, income support policy, credit and debt regulation and the financial sector – for example, access to affordable financial products and services.

Although influenced by these broader structures, the decisions of people on a low income are not entirely determined by them. Lister (2006) uses the term 'strategy' to describe the choices of people living in poverty in order to recognise their agency. Saving 'for a rainy day' is one strategy which might be used by people to cope with a sudden large expense or loss of income. Lister (2006) notes, however, that little evidence exists regarding how savings actually help people to weather such changes, although this is frequently cited as the basis for savings schemes for low-income citizens. Evaluations of the UK Savings Gateway suggest that savings also provide a sense of material security, enhancing the saver's sense of being in control of their life (Lister 2006), although relatively few studies which find positive effects of saving, including economic, social and psychological benefits, actually establish causality (Sherraden, McBride & Beverly 2010).

Michael Sherraden's extensive work on matched savings in the United States – in particular Individual Development Accounts (IDAs), designed as lifetime accounts, with matched savings for low-income individuals to put towards home ownership, post – secondary education or self-employment – suggests the security provided by ownership of assets leads to individuals making better long-term decisions and also to greater civic engagement (Sherraden 1991). Sherraden focuses on the ways in which policy design creates barriers and disincentives to saving for low-income people, rather than focusing on the individuals' behaviour (Sherraden 2001; Shreiner & Sherraden 2007). He and his colleagues argue that the poor experience barriers to asset building, while subsidies relating to asset building, such as retirement accounts, home ownership and human capital are geared towards higher earners, typically through tax breaks. Not only do the poor lack incentives to save, but also they often experience disincentives to save, such as assets tests for income support eligibility (McKernan & Sherraden 2008; Shreiner & Sherraden 2007). Further barriers include simply having to exist with limited resources: 'If the poor appear to have a short-term horizon, it is largely due to the necessities of survival' (Shreiner & Sherraden 2007, p. 2).

Sherraden's work, like Lister's, emphasises the vulnerability of the asset poor to unexpected events or income shortfalls due to illness or job loss. A comparison of 14 subsidised savings programs in the United States (specifically those aimed at helping low-income people set up their own business) found that those programs with more flexible rules could spur saving while recognising the constraints faced by low-income participants (Ssewamala & Sherraden 2004). Another US study, of participants in a Minnesota-based matched savings scheme, found that poor people experienced continuous pressure and tension in daily life that resulted in financial vulnerability defined as a 'chronic susceptibility to uncontrollable resources' (Hogan et al. 2004, p. 235). Participants faced barriers to saving including job loss and reduced hours of employment; changing, irregular or absent child support payments; unreliable vehicles; and illness and injury. Key factors contributing to exits from the program were major negative life events, including unemployment and divorce, as well as high debt levels. Failure to save tended to result from the impact of these external events, and was not due to a lack of discipline or motivation, nor to poor financial management skills (Hogan et al. 2004).

2.2 GENDER AND MONEY

Gender constitutes one of the most profound differentiating factors in the experience of poverty, with both cause and effect deeply gendered (Lister 2004), leading researchers to talk about the 'feminisation of poverty' (see, for example, Kingfisher 2002). Other research highlights hidden poverty caused by unequal distribution of income and consumption within families and households, with women typically having less spending money than men in the same household. Further, the gendered division of labour, in which men do the greater share of paid work and women do the greater share of unpaid domestic work, results in women's full or partial economic dependence upon men or state income support. UK research indicates that some women 'prefer' the poverty but financial autonomy of single motherhood to the lack of control over financial resources they experienced during their marriages or de facto partnerships (Graham 1993, as cited in Lister 2004, p. 58).

Further, there are strong cultural expectations that 'good mothers' are engaged in self-sacrificing behaviour for the benefit of their children. It is typically mothers in low-income families who forgo food, clothing and warmth in order to protect other family members, especially children, from the full impact of an inadequate income (Lister 2004). Women can be seen as the 'shock absorbers' of poverty, required to manage poverty and debt as part of their general responsibility for money management in low-income families (Yeandle et al. 2007). Managing poverty is also very time consuming. Whereas those with higher incomes might buy labour-saving goods or services to save time, people on low incomes, mostly women, must often do the opposite, expending time in order to save money. Examples include taking public transport, preparing all meals at home and shopping at multiple supermarkets to ensure the lowest prices. By increasing their work day and intensifying their time use, some women internalise the costs of poverty (Lister 2004).

Within (heterosexual) couple-headed families, studies show that the woman's income is more likely to be spent on household goods rather than personal items, while men are more likely to increase their personal consumption if their wives earn. Management of household finances or 'money labour', as opposed to the control of spending decisions, has been shown to rest largely with the wife. Where management of household finances is a burden – for example, juggling bills and debt repayments and economising on groceries on a low income – rather than a source of power, it is the female partner who most commonly bears the responsibility (Waseem 2004).

Single mothers, of course, bear total responsibility for managing their household income. This is compounded by issues relating to labour market participation, access to child care, affordability of housing and the adequacy of income support and child support payments. There are also interconnections between problem debt for single mothers, relationship breakdown, the challenges of the 'post-divorce' family and the reduced earning capacity related to mothering alone (Baker 2009). Baker points out the importance of distinguishing between different types of debt, separating mortgage and non-mortgage debt (including car and student loans, credit card debt, and inability to pay rent or utility bills). She argues that mortgage debt is usually less detrimental than non-mortgage debt because most homeowners gradually repay their mortgages over the years while their incomes rise and their equity and house values increase, yet typically single mothers have high non-mortgage debt and are not home owners.

2.3 INDIVIDUAL FINANCIAL DECISIONS

In addition to research regarding the broader context which shapes financial circumstances, there is research which focuses on individual decisions or 'preferences' regarding saving and other financial practices, particularly human cognitive capacities and the 'mental shortcuts' people use to make complex decisions (Biggart & Beamish 2003). These mental shortcuts include habits, routines, cues and heuristics – all ways to bypass spending time and energy on conscious deliberation, reducing the likelihood that decisions are made in one's long-term financial interests (Jackson 2005). Some researchers use behavioural economic explanations to bring together aspects of economics and psychology to better understand and predict economic behaviour, including saving (Sherraden, McBride & Beverly 2010).

Key insights from behavioural economics include the importance of habits, of approval from others and of people's motivation to do what they consider 'the right thing'. In addition, people want their actions to be consistent with their values or beliefs; people are averse to loss – that is, they will put more effort into preventing a loss than winning a gain; people tend to place undue weight on recent events and the short-term future and too little on events likely to occur in the longer-term future; and people want to feel involved and effective in making behaviour change (New Economics Foundation 2005). These insights are relevant for the Saver Plus program, which emphasises behaviour change through the formation of a saving habit. Tapping into parents' values related to providing for their child's education sets up the matched savings as a valuable reward. Further, behavioural economists argue that where decisions require extensive research or inquiry or involve considerable complexity (such as financial decisions), people are likely to fall back on habits and rules of thumb (Hodgson 1997).

Chant Link and Associates (2009), examining the effects of Saver Plus, utilised both behavioural economics and psychological ideas as a framework for their research. They found that each model had some relevance and explanatory power but could not in isolation fully explain the behaviour of and outcomes for the participants. This was because of the complexity and heterogeneity of the Saver Plus population.

Illustrating the compatibility of both sociological and economic perspectives, a study by Lindbladh and Lyttkens (2002) of habit and choice relating to health behaviours found that low-income individuals were more likely to form habitual behaviour as a result of insecurity and discontinuity, and also, from an economic perspective, because they had fewer resources, which increased their decision costs. They argued better-off people had lower decision costs for making calculated decisions but were also likely to have formed a habit of decision-making processes. These differences were seen to be self-reinforcing, and reflect a wider social change in which choice-making itself is valued and non-reflexive behaviour is stigmatised (Lindbladh & Lyttkens 2002).

2.0 LITERATURE REVIEW

2.4 BUDGETING AND SAVING

Behavioural economics also suggests why saving can be difficult. Understood as involving the transformation of small amounts of cash into a more useful large amount, saving seems straightforward. However, the way individuals plan and exercise self-control can be more complex than it appears. Saving to buy something over a long period provides continual access to large amounts of cash, which can be extremely tempting and easy to spend on things that are most valued at the time rather than the long-term savings goal (Mullainathan & Shafir 2009).

People also use 'mental budgets' to help manage their household resources, assigning different labels to money allocated to different categories of expenditure (Carruthers & Ariovich 2010). People use these mental budgets to keep track of what they spend and adjust their spending decisions. However the context in which such budgeting takes place can affect the impact of miscalculations. Willis (2008) argues that a household living pay cheque-to-pay cheque must precisely track income and expenses as overdrawing a bank account by a dollar can result in significant fees, whereas households with more financial resources have the luxury of being able to budget loosely, if they budget at all.

The saving behaviour of people living on low incomes has become the focus of policy makers and academics, yet many studies show that these people have similar fundamental attitudes and similar weaknesses and biases to people from other walks of life (Mullainathan & Shafir 2009). While net savings have been found to grow with income, some people with the highest incomes are among the worst savers, and use of credit also grows proportionately with income (AMP & NATSEM 2010). This suggests that it is the margins for error that differ, placing low-income families in a position of greater vulnerability. Thus, attention to the context of financial decision making is crucial. It may be that policies and institutions designed to facilitate the decisions of those on high incomes, and therefore improve their outcomes, are inaccessible to low-income households or may pose obstacles and barriers. In addition, poor families lack the 'financial slack'

to easily cut back on consumption to satisfy an unexpected expense or drop in income, causing them to make different decisions when faced with a 'shock' (Mullainathan & Shafir 2009). Further, experiences of fluctuating incomes, having few permanent assets, moving in and out of work and changing family structures encourage a focus on the short term (Sawady & Tescher 2008).

Recent research which surveyed 1,180 adult Australians found that respondents fell into eight behavioural categories when making financial decisions, but the distribution of low-income earners across the categories was quite similar to the entire population (Australia Institute 2010, p. 24) indicating that it is the broader context, not intrinsic individual behavioural factors, which lead to different outcomes. Further, overconfidence in one's financial capabilities appeared to be an indicator of the likelihood of getting into financial difficulty and also a barrier to getting out. Low-income earners were less likely to be optimistic about their finances and more likely to be overwhelmed; however the report suggests that these responses were more likely to be due to the circumstances which cause financial hardship rather than the cause of the hardship (Australia Institute 2010).

2.5 IMPLICATIONS FOR THIS STUDY

The present study aims to combine the insights from the three broad areas of literature outlined above in order to gain a greater understanding of the ways individuals make financial decisions *within* a broader social and economic context, influenced by gender, poverty, vulnerability and the labour market. In particular, this research examines the ways in which broader social and economic factors may constrain individuals' capacities to save, budget or make long-term plans about their finances. To capture the complex interrelationships between individual decisions or behaviour and broader context (or agency and structure), this study adopts a qualitative methodology of semi-structured interviews as outlined in the following chapter. This methodology can draw out nuances which cannot be captured through quantitative methods such as surveys.

This qualitative study relied on participants' perceptions about the value of saving and their experiences with the Saver Plus program. Through semi-structured interviews, it gained insights into how individuals' finances were affected by social, economic and cultural factors and how this impacted upon their involvement in Saver Plus. It also explored the participants' perspectives on the Saver Plus program.

Eighteen past participants were interviewed using semi-structured, face-to-face interviews. Participants were recruited from the Saver Plus database and all had either completed or commenced and withdrawn from the program since September 2009. In addition to the in-depth interviews, 37 Saver Plus workers were surveyed at a professional development event in 2010. Workers were asked to provide written responses to questions about the most beneficial and challenging areas of the program for participants, and areas for improvement.

Names of participants, Saver Plus workers and places have been changed to protect the anonymity of the study participants. Participants were from a range of locations – suburban, outer suburban and regional sites across Victoria and New South Wales – and had been involved in Saver Plus at three of the four current Saver Plus partner organisations.

Given the large numbers of Saver Plus participants who are women with children, recruitment focused on this group. However, the sample also included a greater percentage of early leavers than exists in the general Saver Plus participant population in order to gain a greater understanding of issues around withdrawal. Sampling deliberately attempted to cover a range of reasons given for withdrawing from the program and to include both single and coupled parents and a mixture of participants who completed the program with and without missed payments. The sample was therefore not strictly representative of the overall Saver Plus participant population. In the initial research plan, it was intended that some 'potential participants' would be interviewed – that is, people who had registered interest in the program and were eligible but subsequently decided not to go ahead. However recruitment for this cohort was not successful.

3.1 DEMOGRAPHICS OF THE SAMPLE

- > Of the 18 study participants, 10 had completed the program, 7 had withdrawn early and one participant had withdrawn on her initial attempt, but subsequently completed the program.
- > All of the sample had children. There were 11 single mothers, 6 coupled mothers and 1 coupled father.
- > Participants were aged between 31 and 50.
- > The coupled mothers tended to have pre-school aged children and were not engaged in the labour force, although their partners were.
- > The single mothers typically had school-aged children and most were engaged in part-time paid work.
- > All participants qualified for a Health Care Card or Pensioner Concession Card but their incomes and expenses and net financial worth varied widely across the sample.

3.0 METHOD AND SAMPLE

3.2 RESEARCH PARTICIPANTS

Completed Saver Plus

- > **Elena**, single mother, one son aged 9. Working in a call centre as an independent contractor. Private rental in outer suburbs.
- > **Merpati**, coupled mother, two sons aged 4 and 7. Part-time childcare worker, permanent employment. Partner a full-time mature-age apprentice. Paying off mortgage on home in outer suburbs.
- > **Manjula**, single mother, two children aged 9 and 8. Part-time nurse (short-term university placement). Private rental in outer eastern suburbs.
- > **Sofia**, single mother, two children aged 8 and 5. Part-time teacher, permanent employment. Private rental.
- > **Vesna**, coupled mother, two children aged 5 and 3. Receiving Parenting Payment Partnered, not in paid work. Partner on Disability Support Pension, not in paid work. Owned home outright.
- > **Vicky**, coupled mother, three children aged 13 years, 9 years and 5 months. Not in paid work. Previously single mother. Paying mortgage in regional city.
- > **Martina**, single mother, two children aged 13 and 11. Casual, part-time community support worker. Private rental in regional city.
- > **Xanthe**, coupled mother, two children aged 7 and 4. Sessional TAFE teacher. Paying off mortgage on home in regional city.
- > **Naomi**, single mother, two children aged 15 and 13. Part-time administration worker, permanent employment. Paying off mortgage.
- > **Rosa**, single mother, two children aged 3 years and 5 months. Working as casual, part-time bookkeeper when enrolled in Saver Plus prior to birth of her second child, but not in paid work at the time of the interview. Public housing tenant.
- > **Ruth**, single mother, three children aged 25, 15 and 14. Casual, part-time personal support worker. Private rental in regional area. Initially withdrew from Saver Plus, but completed second attempt.

Did not complete Saver Plus

- > **Susan**, single mother, three children aged 15, 14 and 9. Casual, part-time home care worker. Private rental in regional area.
- > **Maria**, coupled mother, five children aged between 5 months and 13 years. Not in paid work. Husband working as an aged-care worker full-time. Paying mortgage in outer suburbs.
- > **Saffron**, single mother, three children aged 19, 13 and 3. Allied health worker, permanent employment. Living with her parents, paying rent in outer suburbs.
- > **Scott**, coupled father, four children aged between 15 and 6. Running his own plumbing business. Wife not in paid work. Paying mortgage in outer suburbs.
- > **Hannah**, single mother, one child aged 12. Working as a part-time domestic violence worker, permanent employment. Private rental in regional area.
- > **Kellie**, coupled mother, three children aged 9, 7 and 4. Not in paid work. Husband a full-time sales worker. Private rental in outer suburb of regional city.
- > **Samantha**, single mother, two children aged 13 and 10. Part-time teacher's aide, permanent employment. Private rental in regional city.

4.0 THE SOCIAL DIMENSIONS OF SAVING AND BUDGETING ON A LOW INCOME

The findings of this study have been organised around elements of the Saver Plus program. The first section outlines the existing saving and budgeting strategies of the participants, as well as issues which impacted upon their saving and budgeting – including credit and debt, but also decision making within the household. The following section looks at the saving and budgeting strategies used by participants after their involvement with Saver Plus – in particular, the ways they changed or attempted to change their practices or strategies, and the reasons why sometimes this was not possible. Finally, issues relating to the program itself are explored, especially the use of the matched funds as well as reasons for missed payments, and reasons why some participants did not complete the program.

The participants combined detailed descriptions of day-to-day financial issues with descriptions of broader issues. While this report focuses on specific practices and circumstances relating to the Saver Plus program, it is also possible to see the influence of the wider contextual issues raised in the literature review in the lives of many of the participants. Practices of saving and budgeting are inherently shaped by issues relating to income and expenses including paid work, income support and child support on the income side and housing, education and living costs on the expenses side. Further, decisions about the use of financial resources are shaped by broader cultural issues – particularly in relation to the needs of children. While all of the study participants had met the same criteria for enrolment in the Saver Plus program, it became evident that differences including family form, number of children, education level and housing circumstances shaped some of the participants' different experiences during the program.

Many participants had recently experienced major life transitions such as separation or the birth of a child; and many also experienced ongoing uncertainty of both income and expenses. Income was most commonly impacted by irregular or unpredictable work and the non-payment of child support. Different families faced dramatically different housing and education costs and were also servicing different levels of debt. These factors all directly affected the participants' capacity to save money on a regular basis and also the priority that they gave to saving. While all of the study participants were on a 'low income', there was considerable variation in their financial vulnerability and experience of precariousness.

In terms of actual income, study participants' fortnightly household incomes varied between \$1,000 to \$2,800, with the coupled households with a full-time earner and those single-parent households where the parent worked close to full-time hours having the highest incomes. Income support payments varied with paid work income. Child support payments to the single parent participants varied between \$20 a month and \$780 a month – however these payments also affected the amount of Family Tax Benefit to which the recipient was entitled. Further, out of the 12 participants who were eligible for child support, 5 received regular payment and 7 did not receive any child support – with only two having received an exemption³.

³ Without exemption, and in the absence of taking steps to enforce payment through the Child Support Agency, these women would not have received the full Family Tax Benefit (Part B) payment.

The housing circumstances of the participants made a large difference to their overall financial situation and capacity to save.

The most significant expense for almost all of the study participants was housing. The costs of housing and the related vulnerability varied considerably across the sample – most noticeably between private renters, public housing tenants and those households who were paying off mortgages. The housing circumstances of the participants made a large difference to their overall financial situation and capacity to save. For example, Vesna had paid her mortgage in full. No longer in paid work but caring for two young children, Vesna had a household income of \$1,360 a fortnight – one of the lowest household incomes in the study – but with no mortgage or rent costs the family was actually relatively comfortable compared with many other participants. In contrast, all of the seven early leavers⁴ were spending at least 25 per cent of their gross household income on rent or mortgage instalments, placing them in ‘housing stress’, and three of these were spending 30 per cent or more. Among the 11 study participants who completed the program, only three were experiencing housing stress. Those with lower housing payments were mortgagees who had received inheritances or property settlements, or private renters who rented from relatives or family friends, as well as the one public housing tenant.

4.1 SAVING AND BUDGETING PRIOR TO SAVER PLUS

While key aims of Saver Plus include educating participants about household budgeting, increasing knowledge regarding credit and consumer rights, and encouraging a savings habit, it was clear that all participants in this study already employed strategies, often complex and resourceful ones, to manage their finances before entering the Saver Plus program. The study participants also varied greatly in their existing financial situations and saving behaviour. It appeared that these differences were mainly related to extrinsic factors such as their levels of income and debt, household size and labour market attachment and were also impacted upon by family breakdown.

Saving

Only four participants stated that they had a regular saving system which involved putting money into a separate account set up prior to the Saver Plus program, although almost all had systems established to manage their household budgets and some maintained a ‘buffer’ which they did not see as savings per se. Others had accumulated ‘emergency’ funds from one-off payments like tax returns or proceeds from property settlements, which they held for emergencies, but these were not a result of regular saving.

⁴ Early leavers are those who enrolled in the Saver Plus program but left before reaching their savings goal.

4.0 THE SOCIAL DIMENSIONS OF SAVING AND BUDGETING ON A LOW INCOME

The participants who were saving prior to Saver Plus had saved small amounts and on a more ad hoc basis. When asked whether they had saved before, they indicated this saving was either towards a particular goal or for 'emergencies':

Oh yeah, absolutely. Probably not that much, but absolutely. Because your car, you know, emergencies, and yeah... so not as much though, and probably a little bit less often.

Martina, single mother, two children aged 13 and 11. Casual, part-time community support worker. Private rental in regional city. Completed Saver Plus.

Was I putting money away? Yeah I think I was a little bit. Yeah I was, but not as much, because I didn't really have a reason.

Rosa, single mother, two children aged 3 and 5 months. Was working as casual, part-time bookkeeper when enrolled in Saver Plus prior to birth of second child, but was not in paid work at the time of the interview. Public housing tenant. Completed Saver Plus.

Hannah was one of the few participants who had accumulated a 'rainy day' savings account, although she had found that she had begun to 'borrow' from it for everyday expenses:

I think I found with the savings, I think I was just saving too much and so that's why I was just having to take things out of it. And things have got more expensive, utilities, and things just in general, like shopping and petrol, are more expensive, and of course I hadn't taken that into account, and so I was just – because up until not long ago I was putting \$400 a fortnight aside which was just too much.

Hannah, single mother, one child aged 12. Worked as a part-time domestic violence worker, permanent employment. Private rental in regional area. Did not complete Saver Plus.

None of the six study participants with a mortgage had been saving prior to Saver Plus, but most of these participants were conscious that they were accruing equity and therefore prioritised their mortgage repayments to reduce interest over additional savings. While the Saver Plus program is designed around matched savings, its primary emphasis is on the benefits of ongoing saving and 'asset building' for low-income people – and thus recognises the validity of spending on an asset such as a home. The participants themselves considered that paying off their mortgage was a form of saving, in that it would provide them with an asset and hopefully future financial security. One participant, Merpati, also stated that her household had an offset account attached to their mortgage which they used as a form of saving. That said, some of the couple families with mortgages were also struggling to pay their other bills, had high levels of debt and appeared vulnerable to any drop in income or unexpected expenses.

We try to get the mortgage lower each time, even just a bit, rather than just staying the same ... [We're] trying to get it down. We're hoping starting next year we'll be able to do it a bit better.

Merpati, coupled mother, two sons aged 4 and 7. Part-time childcare worker, permanent employment. Partner was a full-time mature-age apprentice. Paying off mortgage on home in outer suburbs. Completed Saver Plus.

Whenever we get tax returns or things I always make sure I put extra money on the mortgage and bring the mortgage down a bit ...

Xanthe, coupled mother, two children aged 7 and 4. Sessional TAFE teacher. Paying off mortgage on home in regional city. Completed Saver Plus.

Two other participants explained that they had not been saving prior to Saver Plus due to prioritising debt repayments over saving. Just before entering the program, Manjula had finished paying off her credit card debt. She had found herself with high credit card debt after separating from her children's father, and it quickly increased when she relied on the cards to help make ends meet while she adjusted to her new situation as a single mother.

When I became a single mum, not only did I lose my home, but I actually, because, just because of the way it was, I had a credit card debt, which I had incurred as a result of being with their dad. I don't want to put all the blame on him ... it's just that he took no responsibility for any of that, even though I tried to sort it out. So anyway, [to] cut a very long story short I had \$12,000 worth of debt, and I wasn't getting anywhere ... I tried very hard to live off those cards initially ... and also to pay it off, but it wasn't working, and I was at a place where I was not very emotionally stable, and I actually went to my [church] pastor and they sat down with me and worked out a plan ... he said this is what you should do and he instructed me on how to deal with the banks.

Manjula, single mother, two children aged 9 and 8. Part-time nurse (short-term university placement). Private rental in outer eastern suburbs. Completed Saver Plus.

Kellie described her family's financial situation as 'barely managing'. She and her husband had owned a home for fifteen years but three years earlier had sold their house to pay off unmanageable debts. Kellie acknowledged that they had been 'living outside [their] means'. While they had paid off most of their credit cards with the proceeds of the house sale, this had not covered all of their debts and they still owed around \$30,000.

The reason we sold [our house] was to get out of financial difficulty because we'd got ourselves in too deep. Once we'd paid all that out we were left with a personal loan and a credit card and of course the furniture, we put it 'on tick' [interest-free finance arrangement] but that's all paid for now, the credit card's just about paid off and the personal loans are nearly, like we're over halfway through paying them off. So we've done well in our three years, but we're still not saving anything which is the hard part because we would like to buy our own home but we've got to be able to save something.

Kellie, coupled mother, three children aged 9, 7 and 4. Not in paid work, husband was full-time sales worker. Private rental in outer suburb of regional city. Did not complete Saver Plus.

Another participant who had not saved prior to Saver Plus was Sofia, who had separated from her abusive husband only a year before joining Saver Plus. She had been the primary breadwinner, working as a primary school teacher during her marriage, but her husband had stolen from her, taken her credit card and regularly emptied her accounts to support his drug problem, making it impossible for Sofia to accrue any savings.

4.0 THE SOCIAL DIMENSIONS OF SAVING AND BUDGETING ON A LOW INCOME

The participants all maintained these [saving] strategies after Saver Plus, although many introduced additional elements of household budgeting from the Saver Plus workshops.

Financial management and budgeting

In contrast to actually putting aside savings prior to starting Saver Plus, almost all of the participants had utilised different methods to manage their finances. Most described strategies designed to 'smooth' their expenses – that is to ensure large, one-off expenses were incorporated into weekly, fortnightly or monthly budgets and to 'stretch' out irregular sources of income. This sometimes involved allocating money towards future one-off payments such as the car registration, although the participants did not see this form of budgeting as 'saving' since the money was allocated for a later expense. The participants all maintained these strategies after Saver Plus, although many introduced additional elements of household budgeting from the Saver Plus workshops.

I do my utilities on a fortnightly basis, so when I get my Centrelink payment that's when everything gets paid, \$7 a fortnight on water, \$26 and \$32 on the gas and electricity, and my Telstra's once a month and ... I've got it bundled with the internet, the mobile and the home. So I do them once a fortnight the utilities, but the Telstra once a month. Just so that I can manage it, because I know some people get it every three months and that's not manageable for me ... For the last few years I have [done it like this], absolutely, I'm on a payment plan with most of those things. So that works for us, and that's what I'm trying to do [with] the school fees, I'd like to set it up to do that, but again it's just the unknowing of, and I don't know how much it's going to cost me to go to uni.

*Manjula, single mother of two.
Completed Saver Plus.*

Vesna's method of 'bill smoothing' and use of pre-paid services was common among the participants:

I know what monthly bills are coming, what comes out monthly. My home phone comes out monthly, and the electricity and gas – it was quite high, the use of gas, because we were both home during winter – and the bill came, this was back when my first child was a baby, and it was \$500 for the gas bill, and I rang them up and I said, 'We live in hardship, I can't pay for this', and they said, 'That's ok, we'll put you on this bill smoothing'. They look at your overall total use for the year, and then they divide by twelve, so they get a monthly figure. So say it's \$150 a month that you pay, that gets deducted over the whole year, and so like now I'm in credit, which is quite good ... the telephone is preset and the mobile we've got a really low plan. I try to do things that are a fixed cost ... you can manage it and you know it's not going to change. So there's no surprises.

*Vesna, coupled mother, two children aged 5 and 3.
Was receiving Parenting Payment Partnered, not in paid work. Partner on Disability Support Pension.
Owned home outright. Completed Saver Plus.*

It should be noted that while bill smoothing allowed participants peace of mind in relation to their utility bills and minimised the risk of being caught out by an unexpectedly large bill, this arrangement ultimately benefits the utility provider which earns the interest on any 'credit' amount, rather than the interest being earned by the low-income individual.

Before and after Saver Plus, Xanthe had operated on a budget designed to cover bills and expenses and also to 'smooth' the difference in the household income across the year due to her sessional employment. When asked how she managed the 'ups and downs and different costs and different wages', she replied:

You've got to budget and it's pretty simple, it's a series of envelopes largely, but I roughly worked out what all our major annual expenses are like car insurance, rego and things, so I think that's \$250 a fortnight which goes into an ... on-line account which I can't, I can transfer over the internet but I can't withdraw out ... [That covers] big expenses, and then we actually have another separate bank account that I put another \$250 in a fortnight and that is for when I'm not working, basically to supplement our income when I'm not working and then the rest basically goes into the envelopes for food and bills and petrol and then we get a certain amount of spending money ...

Xanthe. Completed Saver Plus.

As a part-time TAFE teacher, Xanthe received no income from November to February and also had no ongoing job security. She and her husband had both chosen to work part-time to share the care of their young children. This meant that Xanthe had to plan carefully during the year to cover costs during the holiday period, as her husband was also on a low income and they could not get by on his income alone.

Two participants stated that they did not 'micromanage' their budgets, commenting that this approach did not suit their 'personalities'. These participants worked longer hours and had a slightly higher income than others, perhaps indicating that they could 'afford' to be less rigid with their household budgets due to higher earnings from paid work. However, they did 'mentally' keep track of their spending, had a sense of how much money they needed to cover their expenses and had developed habits to minimise costs of food and leisure so they would stay within their means.

I don't really micromanage my budget, that's not really part of my personality to do it like that, but I work it out in my head.

Naomi, single mother, two children aged 15 and 13. Part-time administration worker, permanent employment. Paying off mortgage. Completed Saver Plus.

Like Naomi, Hannah did not have a detailed budget worked out and felt that this was not a suitable method for her to deal with her finances:

It's the attention to detail that I don't really have. I'd rather just get it out of the way and then not have to worry about it. I'm not very good at, you know, breaking everything down. People say you should work out all your bills for the whole year – I can't do that at all ... I'd just rather save, pay for that, save, pay for that. Then it's done ... Different people do different things – so you kind of need to find out how people do things. I don't have a great attention to detail – so I think you kind of need to not force people into doing that.

Hannah. Did not complete Saver Plus.

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Almost all participants mentioned that they tightly controlled their expenditure on food, and attempted to spend as little as possible while maintaining quality. Often this involved keeping track of food prices at a range of locations to get the 'best price':

I go to the fruit and vegetable shop for the fruit and vegetables; the [name of shop] is a cheap place to go and the vegies are quite good. The meat I get in a butcher's shop, or sometimes I'll buy some pieces of it in [the grocery store] and then the rest is groceries, and that's it. Aldi's quite good, but there are some things I can't get or don't like in Aldi that I go to Coles for.

Ruth, single mother, three children aged 25, 15 and 14. Casual, part-time personal support worker. Private rental in regional area. Initially withdrew from Saver Plus, but completed second attempt.

Household money management: who decides and who does the work?

While not associated with a particular saving or budgeting strategy, it became clear from the interviews with some coupled participants that their financial strategies or decisions were influenced by their partners. Several women in coupled relationships indicated that they deferred to their partners regarding decisions around large expenses. Maria, a stay-at-home mother, was responsible for day-to-day household financial decisions such as paying bills and budgeting for groceries, and described having difficulty negotiating with her husband about financial issues due to his being the breadwinner. They had just purchased a new second car on credit, which Maria felt they could not afford.

I'm the one who does the budgeting in our household. So I do all the money matters ... he doesn't know how to even do internet banking ... But sometimes when he's asking like he wants to buy something, it's hard for me to say no, even though there's not much money in the bank, because he's the one working.

Maria, coupled mother, five children aged between 13 and 5 months. Not in paid work. Husband was working as an aged-care worker, full-time. Paying mortgage in outer suburbs. Did not complete Saver Plus.

Kellie, another stay-at-home mother who also withdrew early from Saver Plus, described having handed over money matters to her husband due to the stress she had experienced attempting to make ends meet, particularly managing the family's high debts:

He does the finances. I've got no idea ... he gets paid monthly and I'm not even sure what the monthly figure is ... Someone said to me, 'You know he could leave you and leave you with nothing, he'd only leave you with debt', and [I said], 'He'd have half of that because there ain't nothing to take' ... He took over, I was doing the bills ... I wasn't coping ... I was getting all flustered and stressed out because I couldn't get the bills to add up.

Although Kellie's husband had taken over paying 'the bills', she remained in charge of buying food and clothing for her children from her family and income support payments, which required tight budgeting. Both Kellie and Maria withdrew from Saver Plus early, perhaps indicating that lack of support from a domestic partner, or limited control over financial decisions is a factor in non-completion. While the other coupled participants indicated they shared financial decision making on bigger issues, the day-to-day money management was not equally shared:

It's largely me, like I do the budget, I pay the bills and then when we don't have enough money [my husband] gives me crap for it and I go, 'Well you bloody take some responsibility' – so no, I'd say it's largely me that does it.

Xanthe. Completed Saver Plus.

4.2 SAVING AND BUDGETING AFTER SAVER PLUS

The impact of the program on the participants' saving strategies and budgeting varied considerably across the sample, from increasing knowledge and awareness with no obvious impact on behaviour to dramatic changes in budgeting and consumption including new, ongoing saving habits. This variety related both to external constraints of income and expenses, and to existing practices and attitudes of the participants.

Saving

Of the study sample, the four participants saving systematically prior to the program (including one early leaver) continued to do so, and four others adopted regular saving habits as a direct result of Saver Plus. Another three study participants were trying or intending to save. Of the remaining seven, who were not saving after Saver Plus, five were people who withdrew early from the program.

For the post-Saver Plus savers who had not been saving before, the saving habit they had established during Saver Plus allowed them to easily continue to save. Vesna had simply maintained the same regular deposits into her ANZ Progress Saver account towards repairs for her car:

You know the [ANZ] Progress Saver account that we had to open up, well I'm still doing it ... we started off with \$100 a month, and so that continued, that's still going, which is good. So we've kept it. We thought well, we didn't miss it before, so we're not now. So we just continued. So we've got like \$1,000 or something now, which is good.

Vesna. Completed Saver Plus.

Naomi also continued to have \$60 direct-debited from her regular bank account into her ANZ Progress Saver account each month. Merpati credited the Saver Plus program with encouraging her to save in a more structured way and to set up a direct debit from her wages as a part-time childcare worker:

[Saver Plus changed the way I do things in] the way that I always remember to put aside some money and it's a good habit ... in general I think that it's just a good saving habit and just a bit more structured with saving habit really, rather than just thinking as long as I don't take it out that means I'm saving, but sometimes I think you really have to set it aside, that's it, don't touch.

Merpati. Completed Saver Plus.

Martina, who had been saving prior to Saver Plus, had increased the amount she was putting aside to cover the costs of her daughter starting high school. Martina had not spent her Saver Plus savings and had increased the total to \$2,600.

[I had been saving, but] not as much, and probably a little bit less often, but see now I get my bank ... to take it out of my pension automatically ... I don't even notice it. I mean, of course if you're a bit short I've got to take some out, that's okay ... [I'm saving] fifty dollars a week.

Martina. Completed Saver Plus.

Participants who completed the program expressed a sense of confidence and pride in their ongoing saving. Merpati had continued to save towards a trip to visit her extended family overseas:

I feel great as well, because I earned it and I'm going to spend it ... you become more careful with every aspect ... Sometimes I feel like maybe I shouldn't [spend it on myself] but my husband said, 'No, you go for it. You deserve it'.

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Martina described a feeling of security derived from her savings:

You feel a lot better, because if something does happen and it requires money to fix, like cars and whatnot and things break down – hopefully, touch wood, we're all right for a while – it's there. I don't have to stress. Because that is a major stress, really, when you haven't got the funds for something that's broken down or school camp or whatever. So it's been a real good learning curve.

It appeared that several factors affected whether a person continued to save after Saver Plus: the use of direct debit as opposed to face-to-face banking; a stable income (either from paid work or family tax benefits); and presence of a 'buffer' or extra money in their bank account to cover the direct debit without risk. Another factor which appeared to influence post-Saver Plus saving was having a new, clear savings goal. Those who did not continue to save tended to have lower incomes, higher expenses and debts, with no clear savings goal.

Most post-Saver Plus savers were saving for specific medium-sized expenses such as car repairs or to contribute to the cost of a new car, to replace appliances such as a washing machine, or towards a holiday or school costs – that is they were saving to spend on a specific item, rather than saving for a rainy day. Elena had continued saving so she could buy another second-hand car as her existing car was in poor condition:

I guess I learned [from Saver Plus] that it was possible [to save] and I would say I have to sacrifice things now, but I'm one step closer to my car. So even \$3,000 will help. A car is very important, it's part of my life, so I have to save for it, and there's no other choice. Before there was \$1,000 incentive, but now it's the car ... I need it.

Elena, single mother, one son aged 9. Worked in a call centre as an independent contractor. Private rental in outer suburbs. Completed Saver Plus.

Sofia described the impact of a specific goal on motivating her post-Saver Plus saving. After finishing the program, Sofia had needed to replace her washing machine. She commented that previously she would have used her credit card, but as a result of Saver Plus she had cancelled her credit cards and paid off her existing debts and was able to save for the new machine:

Yes, [Saver Plus] just made me, because I need to be really, I really need to budget you know what I mean? So I don't like having debts, and like my washing machine broke down, but I just saved a little bit each time, till I bought a cheapie one, but it doesn't matter ... I'd go down to Mum's on Sundays, I'd wash the majority there.

Sofia, single mother, two children aged 8 and 5. Part-time teacher, permanent employment. Private rental. Completed Saver Plus.

Although Sofia had saved for this purpose, she had since found that she was not motivated to continue saving in general, partly because she had not set up automatic deductions but had been physically depositing money into her ANZ Progress Saver account during Saver Plus: 'I'm one of those people who needs it to come out of my account'. Sofia hoped that her new goal of a Queensland holiday might be the incentive she needed to recommence saving.

While Rosa had not saved regularly after Saver Plus, she had done so intermittently for particular goals. When her car was written off in an accident, she had gone without a car for two months in order to save specifically for another car. However, since purchasing her car she no longer had a savings goal in mind:

When someone helps you, and when you've got a reason, something to look forward to [it's easier to save] ... I haven't really got a goal for saving now, for anything in particular. The car was the last one – I went without a car for nearly two months ... [but] if you don't have anything in mind, it's like, well I can just spend it on whatever. It always helps to have that incentive.

Rosa, single mother of two. Completed Saver Plus.

Xanthe had not continued to save at all and acknowledged that this was partly because she did not have a clear purpose:

I've still got my ANZ account open but nothing's been going in it and I guess I don't have a really clear goal about saving, and at the moment any extra money that I have ... will be just for Christmas.

Xanthe. Completed Saver Plus.

Xanthe also stated that she would increase her hours of work when her youngest child started primary school, which would lift their household income so they would be able to save:

Then I think we'll probably get more serious about okay, we can survive on what we've been surviving on because we're working more, then we'll have a really clear goal and then I think we'll put more of a savings plan into place. I think we're just kind of on hold until that time.

Manjula had been very enthusiastic about saving but had not managed to set up a regular saving pattern. Like others in the study, Manjula had clear savings goals and a desire to save but struggled to put aside regular amounts due to fluctuating income and expenses:

With the Saver Plus program I'd actually been able to save. Now I haven't put anything in last month and I haven't put any in this month, but I'm planning on doing that as soon as I get paid, which is hopefully tonight, tomorrow. So I want to catch up because I want to try and stick to it ... [but] things were always changing, like child support went to zero ... it dropped from like whatever it was \$100 or something to not even \$20 ... so it was just all over the shop and things weren't reliable, and my work ... it's not really reliable when you've got sick kids and you got to care for them ... and then ... the car insurance is due, the contents insurance is due ... [my saving] fell apart, because in [moving house] I couldn't reset up [the transfers] and stuff because it was on the computer – I just didn't find I had the time.

Manjula. Completed Saver Plus.

Vicky, who had been a single mother when she initially joined Saver Plus, had been able to accumulate some savings prior to Saver Plus but since her marriage and the birth of a third child had been unable to save. She felt that she was now in a worse financial position than as a single parent, partly due to the debts her new husband had brought to their relationship, combined with her early withdrawal from paid work due to complications with her pregnancy.

I've always used my money wisely. I haven't just gone out and got personal loans and things. My husband has come into the relationship with a lot of debt ... There's a child support debt ... and a couple of loan debts that we're paying back. So I mean I've never had that before ... At the moment I think it's about \$8,000 we're paying off ... And that's quite crippling with his sort of income ... we're only paying minimum payments when we have to at the moment ... I've never had credit card debt, I've never had GE debt. If I've wanted something I've had to save for it.

Vicky, coupled mother of three. Completed Saver Plus.

Susan, an early leaver, commented that she probably should be saving, but the \$17,000 debt hanging over her head made it difficult for her to save or repay her debts:

When you've got \$17,000 debt hanging over, and you think that money should be going saving up to pay that off, everything gets a bit misty. You start to think of [other] priorities or the children and school.

Susan, single mother, three children aged 15, 14 and 9. Casual, part-time home care worker. Private rental in regional area. Did not complete Saver Plus.

4.0 THE SOCIAL DIMENSIONS OF SAVING AND BUDGETING ON A LOW INCOME

While some of the study participants were not engaged in regular saving per se, most spoke about having or attempting to create a 'buffer' so that there would be a small amount of money left in their account which could give them some flexibility. When Sofia said that she did not have a dedicated savings account, she did comment that since Saver Plus she had been able to create a financial buffer to cover unexpected costs more easily:

I can't call them savings, because there's just some money, it's my wages that go in [to the bank account] with the Centrelink [payment], and so sometimes I look and I think I've got \$1400, but then something comes up that I have to pay like the registration or something big that I have to pay, so then it goes down again. So it's not savings as in they go in then they don't get touched. It's like the money's there, and if I need to use it, I use it, but I try not ... I used to go through stages where I had say \$40 for another five days, till payday. I don't have that anymore, that's good, there's always at least \$600, \$700 in my bank account ... Since I've done the program I have never been in that situation where I had \$30 to last me till the end of the week.

Sofia, single mother of two. Completed Saver Plus.

'Renting' savings

While most of the study participants who completed the program had set up regular saving arrangements after Saver Plus, it appeared that a small number were 'renting' the idea of having savings (Australia Institute 2010 – that is, they were putting aside money for savings while paying high interest on credit card debts, loans and store finance arrangements. From the perspective of classical economics, this would not be considered to be 'rational' behaviour; however the participants who were both saving and paying off debts – often making minimum repayments – argued that their savings were much harder to accumulate than debts were to pay off. It was unclear whether they recognised that such practice would worsen their net financial position over time. What was clear, however, was that saving provided these participants with a sense of security and they hoped it would enable them to meet either future unexpected expenses or pay for future items or services without incurring further debt.

Elena, a new saver, had continued to put money into her ANZ Progress Saver account, aiming to save \$100–\$200 each month towards a second-hand car. In recent months she had been unable to put this money aside due to unexpected medical expenses and her son growing out of his shoes and clothes. Elena had also accumulated around \$10,500 in debt on her credit card mostly since participating in the Saver Plus program due to unexpected expenses and day-to-day living costs. She commented:

I always use my credit card and whatever money I'm getting I'm always putting [back] into my credit card so I never pay cash, but usually what I'm getting covers what I'm spending, but not this time. A few things needed to be done and ... these two months have been crazy ... It concerns me. I don't like to be owing, but I guess in a few months time, I'll slowly pay it off so it shouldn't be a worry.

Elena, single mother of one. Completed Saver Plus.

Elena had saved around \$2,000. When asked how she would pay if her current car broke down, she replied:

Credit card, because I know that it's very hard to save that money and it's very easily spent. So with my credit card I know that I'm more strategic to transfer all my money to my credit card than managing to put aside something else again to save it ... I know that interest is involved but ... if I withdraw [from my savings] to cover my credit card now, it would take me a very, very long time to save that again.

The notion of savings being difficult to accumulate, and therefore requiring 'protection' was reflected in other interviews. Participants saw their savings as a buffer against future misfortune and money for 'savings' was often mentally separated from money for debt repayments which was part of regular household spending. Susan, who was not saving but had a small buffer in her bank account, commented:

[I know I should pay] them [finance loans] off as quickly as possible ... but when you've only got a little bit behind you for a rainy day, you protect that little bit, because if I thought I'll pay off the credit card, that monthly payment would go down, and everything else, but then I'll have to use that credit card to bail me out of the next problem which might be new tyres.

Susan. Did not complete Saver Plus.

Martina, another regular post-Saver Plus saver, had accumulated \$2,600, but was also paying off several debts with GE Finance and a store card. She stated that she preferred to go into debt, making low 'manageable' repayments on items such as a television, a new fridge and an air conditioner, and preserve her savings, rather than to use the money to reduce her debt:

I had to get a fridge because that died, yeah, so ... I didn't want to just wipe my whole savings account on just the one thing, in case something came up and I had nothing. [The financing option] was interest-free ... so ... I took advantage of the offer and yeah, two and a half years have gone really fast.

Martina. Completed Saver Plus.

However, when Martina produced her GE Finance statement, it became clear that she did not fully understand why she had paid off so little and was confused by the high additional 'fees' charged.

Hannah, an early leaver who was working four days a week, had accumulated \$10,000 in savings, which she had put into a term deposit to stop herself 'stealing' from that account. However she also revealed that she owed around \$9,000 on a car loan, and had a credit card debt from paying her university fees up front because she was not an Australian citizen. Realising her debt was escalating, she had consolidated both debts and was now making minimum repayments (\$200 a fortnight) on the new loan.

I just ignore it really and it gets paid off automatically ... it's probably actually the minimum repayments. I should probably actually try to pay a bit more ...

Hannah. Did not complete Saver Plus.

Hannah did not specify the interest she was receiving on her term deposit, or the interest she was paying on her loan; however it is likely that the latter was higher. Hannah was unsure how she would pay her university fees for the coming year but was reluctant to use her savings, which were for future emergencies.

4.0 THE SOCIAL DIMENSIONS OF SAVING AND BUDGETING ON A LOW INCOME

Of the nine participants⁵ paying off credit cards, store cards, 'interest free' deals or personal loans at the time of the interview, three were regularly saving, preferring to maintain or increase their savings and make minimum debt repayments. It should be noted that dangerous and high-interest forms of debt, including the pitfalls of 'interest-free' offers, are addressed during the MoneyMinded workshops. However, at least two of the 'completers' had purchased items using credit from 'interest-free' deals after finishing the Saver Plus program, indicating either that they had not understood this information, or had felt that they had no option but to enter such an arrangement with a problematic credit provider. Both Martina and Elena had purchased portable air-conditioners during an extremely hot summer and both commented that their rental properties were in generally poor condition and lacked insulation, so these purchases were considered to be urgent, not allowing time to 'save up'.

A couple of non-saving participants also commented that it was easier for them to purchase an item on credit and then make the repayments than to save the full amount in advance. This was not simply because of the delay, but involved recognition of the risk that the saved money would be used for some other expense in the meantime.

[I need a new dishwasher] and I'm looking for a 1,000-day interest-free payment or something. You know, something long-term like that. Then, with my \$500 a fortnight [left over from wages after paying for bills and rent] what I'll do is I tend to be pretty heavy-handed paying stuff back to get paid back really quick. So that will be that short-term goal ... [this way is] much easier. If it's put away in savings there are too many little things that come up, whereas if I've got a bill then I add it to my joint account bill. It gets paid, it's done and then I just reduce the amount that I've got spare. I still keep some spare but the majority of that money will go towards whatever [the debt] is.

Saffron, single mother, three children aged 19, 13 and 3. Allied health worker, permanent employment. Lived with her parents, paying rent in outer suburbs. Did not complete Saver Plus.

Saffron had left Saver Plus early and was not regularly putting savings into a specific account, but she had worked out a detailed budget which 'smoothed' all her expenses and allowed her \$500 'spare' in her account each fortnight, which she was confident would allow her to quickly repay a loan. Saffron had a higher income than many of the participants, as she was working nine days a fortnight and she had lower housing costs, paying rent to share her parents' house.

Short-term versus long-term goals

As the discussion above shows, most of the study participants who were saving were doing so to create an emergency 'buffer' or to pay for short-term, medium-sized purchases such as washing machines or holidays or to contribute to the cost of new cars or their children's education. However, when participants were asked about their longer term financial goals most did not see that their current incomes or rates of saving would enable them to improve their financial situations in any significant way, particular those who were renting. For many of the single mothers, their 'plans' involved further education to enable them to increase their incomes. The coupled parents felt that as their children got older, the parent doing the primary care would be able to increase hours of work. Those with mortgages felt that their housing costs would decrease in the longer term, giving them greater flexibility.

Asked if she had future financial goals, Manjula replied:

I don't actually. My financial plan falls in a lot to do with my studying, and if I'm accepted into uni next year to do my [course] I would envisage once I finish that, that's when the serious saving would start.

Manjula. Completed Saver Plus.

⁵ This included four completers, five non-completers.

Martina, who had just completed a Diploma of Community Welfare, hoped that her qualifications would enable her to find a better-paying job:

Now that I've finished school, I'm looking at building the foundations up with that ... basically just being able to have a good job where I don't have to rely on welfare payments, that's the main goal ... I'm not giving up the dream of having my own home ... that's something I still want to believe that can happen ... But you know, there's two kids there, they're not getting any younger, they're getting older ... and it's very expensive ... So basically that's my goal, is to be able to provide for my kids.

Martina. Completed Saver Plus.

The state of the housing market meant that some of the renting participants felt that even increasing their hours of paid work would be insufficient to enable them to purchase a home:

Well, my biggest thing that I worry about is not buying my own home. Not having something that – like I'm paying \$1,300 rent for an old house that belongs to somebody else. But that's my biggest [worry], but with the way things are going, that's a dream that I don't see it ever coming real.

Sofia. Completed Saver Plus.

However, not all participants anticipated being able to increase their incomes in the future. Kellie's oldest son had Asperger syndrome and she received a carer's payment and allowance for him. Although the household income barely covered their rent, living expenses and loan repayments, Kellie commented that they had to be careful about decisions to increase their income due to the impact it might have on their income support payments:

[My husband's] been thinking about doing a second job to try and help us out because a second income would be ideal. [His pay will go up] but ... we don't want him to increase it too much more because it affects everything else ... [I'd lose] my healthcare cover and I would lose the carer payment ... So the amount he gets in his pay rise is not enough to compensate. So it's like \$2,000 for the year, where I get \$12,000 for the year [in payments] ... We also, had to sum up too whether it is worth me going back to work for what we lose.

Kellie. Did not complete Saver Plus.

Budgeting

All of the participants who completed the Saver Plus program spoke favourably about the information they had received about how to limit their spending, discern between 'needs' and 'wants' and cut back on 'luxury' expenses. While most participants had not been spending their money on luxuries enjoyed by higher income earners, many spoke enthusiastically about how they had adopted the strategies they had learned. They were proud of their reduced spending. In the context of relatively fixed low incomes, this appeared to be one of the main areas in which the participants could exert some control over their finances to contribute to saving.

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All of the participants who completed the Saver Plus program spoke favourably about the information they had received about how to limit their spending, discern between 'needs' and 'wants' and cut back on 'luxury' expenses.

Martina was very positive about what she had learned during the Saver Plus program, particularly about ways to cut back spending on 'luxury' items:

They [Saver Plus workers] were fantastic. They were fantastic because it just reiterates how important it is to budget. Yeah [they were] fantastic, wonderful ... It was really valuable, really valuable. And inspiring, really inspiring, because ... actually putting it on paper, write it down, and you think, 'Wow, this is do-able'. If you just cut back, you know, your magazine every week ... you see something, and think do you really, really need it, or do you want it? Like that difference between 'the need' and 'the want'. That was a real eye-opener. You're in denial sometimes – 'Of course I need my hair tipped and coloured', you know! ... I really loved it ... I'm more conscious of when I'm buying things.

Martina. Completed Saver Plus.

Manjula spoke with similar enthusiasm about the budgeting tools she had learned during the program, and had subsequently adopted:

We did the \$20 challenge ... The \$20 challenge is where you go for the week without spending more than \$20 on food [by relying on existing food items in the fridge, freezer and pantry] ... you'd be surprised how much you've got and how much you can live off things. So we utilised that, but most importantly, the whole, the general thing about saving, was that even just that small amount a month, \$100, I was finally able to see, well, there's \$1,000 in there after a year.

Manjula. Completed Saver Plus.

This approach enabled some of the parents also to refuse their children's consumption demands or to find cheaper alternatives for treats for their children:

[The Saver Plus worker] said to me 'You're going to have days where you say "Today I'm not going to spend one cent", and really focus on that', and I do that a lot. Even when [the kids] say, 'Mum, let's go and get something at the bakery', I think, no today's the day I'm not spending a thing.

Sofia. Completed Saver Plus.

When asked about the most important things she had learned from the program, Vesna talked about the importance of writing down and keeping track of her spending – although she also noted that this was not something that people with higher incomes do or need to do in relation to their spending (including herself when she had been a higher earner).

[Saver Plus] was good, they were very educational, because it just gets you thinking about – it's commonsense really – but it really gets you to stop and write things down ... when you put it down on paper and add it up, you think 'Oh my god!' ... But when you're working and getting a good income, you don't really care [laughs]. Not many people [on higher incomes] budget ... but it is good. It sort of makes you stop, and you think, do I need that? ... I think it's very smart for anybody to do.

Vesna. Completed Saver Plus.

4.3 PARTICIPANTS' EXPERIENCES OF THE SAVER PLUS PROGRAM

The preceding sections show the financial strategies used by participants prior to Saver Plus and the ways in which Saver Plus impacted upon their approach to budgeting and saving, highlighting their diverse circumstances and the barriers some faced in trying to save. This section focuses on the participants' reflections on the program itself, including aspects which they found useful and those which could be improved.

MoneyMinded Workshops

In addition to information about budgeting and saving, many participants valued the more general financial information from the workshops, particularly information about services and resources for low-income people, and education around credit and debt:

[The workshops] were very good. As a single parent you're entitled to certain things. My washing machine broke down and I never knew I could get one from the Department of Social Services. Tutoring for children free of charge or for little fee – I never knew that. So that is very useful.

Elena. Completed Saver Plus.

I loved the 'know your rights' stuff – the things you should be aware of ... it was also good to find out about different resources, the people to go to if you need different things.

Naomi. Completed Saver Plus.

Others valued information about how credit arrangements work:

Even explaining about how credit works was an eye-opener for me about the hire purchase and stuff, and how you accumulate the interest ... and that in itself was an eye opener to me, as to why I wasn't coping with doing my repayments on the credit card.

Manjula. Completed Saver Plus.

All participants spoke very highly of Saver Plus workers, and also valued the opportunity to hear about others' circumstances in the group setting.

At first I thought it would be [intimidating], because it was a big group and I didn't know anybody. But everyone was kind of in a similar situation, and everyone was very open, so everybody talked a little bit about themselves and we thought well we have our own little different issues and different ways. So it was, no it was a good group, it was really nice.

Sofia. Completed Saver Plus.

Because I've attended three of the seminars, I think, and we shared some experiences and how to save money and I was thinking when I was there, 'I'm not the only one who's experiencing tight budgeting nowadays' ... we're all experiencing this kind of trial.

Maria. Did not complete Saver Plus.

Many participants mentioned that they were encouraging their children to save and to be aware of financial issues such as credit and debt. Several participants thought that it would be very helpful if a program like Saver Plus could be run in schools. As Manjula commented:

Getting kids educated at an early age in school would be really sensational. Like I think my kids are learning that at the moment, they've got a shop thing happening in Grade 3, and they can earn points, and it's just things we donate from home ... so it's about teaching them to save, it's about teaching them to shop around, not that they have much shopping around to do ... So I think if programs like this could get into schools and teach them. Even if it was to offer kids a matching thing ... So that would probably be my only advice if you could get into younger people that would be great. Because everything nowadays is disposable, you look at the teenagers and everything's disposable.

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Martina also spoke about a Saver Plus–style program in schools:

I would love it – oh look, if they had have had something at school, just something at say Grade 5 or 6 level. Even Grade 4 ... They're quite cluey, you know, and they know what they want, what they like, and they're smart enough. I reckon it would be marvellous ... Well they teach them RE! I mean things like that, so why not have a little bit extra? I think it would be great, because once they start saving it is addictive, you know.

Only two participants expressed criticisms of the Saver Plus program itself. These two people were both struggling to make ends meet and had debt which concerned them. They felt that the program did not really suit their particular situations and were sceptical that saving would improve their financial position or that they would be able to achieve a goal like home ownership.

Elena was combining a low-paid job with caring for her young son. She sometimes worked all night from home but received \$16 an hour from which she had to deduct her own tax due to her employment status as an 'independent contractor'. She was also paying around 60 per cent of her income on rent. When asked if she had implemented the things she had learned during the Saver Plus workshops, Elena responded:

I would say I don't have income to do all those things because it's very hard ... a house, it's not reachable ... I can't see it's still possible. I can't just see it's possible, I can't see it happening, no matter what I do. It's a deposit, it's a very big amount of money, so I would say if my income would be different, it is possible, but when you're getting the minimum it's very hard. Maybe one day I can put that to the practice but not at the moment.

Elena. Completed Saver Plus.

Vicky and her family were also struggling due to time off work caused by illness and pregnancy, during which they had used their savings. She felt that their current income was not sufficient to cover their existing bills and debts, let alone to allow any saving. Vicky had managed to put aside \$400 for medical costs for her son, but overall she felt that her financial situation remained stressful and tightly stretched.

I've got good points and bad points about [Saver Plus] ... I really think they need to have some one-on-one sessions, it's too general ... When I separated I had to budget of course, but I still managed to get by, I still had income left over. Whereas now, the last few years, it's a lot less ... [Saver Plus] was very daunting ... a lot of it you felt like you could never do ... But you can't, realistically you can't [save for every contingency] when you're on these sort of low incomes. It's impossible to do those sorts of things. So I think that maybe they need to have some one-on-one sessions to actually really teach and look at your personal situation ... I mean, I got it to a certain degree and we've been trying – we've got \$400 now off the home loan extra that I can redraw if something happens ... But I think they need to ... look at people that have got debts and say 'Okay, can we try and help you consolidate them'. They need to do – otherwise I just don't think the program is worth it. You save for 10 months and then you're out and you're gone and you really haven't gotten a big amount from it.

Vicky. Completed Saver Plus.

Using the matched funds

All of the completers found the matched funds to be very useful. Many participants spent their matched funds on computers and related expenses for their children and themselves. Participants who purchased a computer found that it had benefits for their whole household, not just their children. Asked what difference her computer had made, Merpati responded:

A lot. I can use it to get in contact with my relatives, and my husband's as well ... we can send pictures because we can't really afford to go on holiday [overseas], not the four of us ... And my son, he can go into the programs he uses at school ... he uses it for maths and plays games about maths and spelling.

Manjula had bought a laptop which she intended to use at university in the following year:

I bought a laptop. I was really rapt I bought it, and I actually had money left over, so basically I put it straight into the kids' school fees ... I use it mostly ... the kids have a little bit of a play on it, but as I said to them, 'Mummy needs it for uni next year' ... I feel I can benefit from it because I'll be able to work on other projects while I've got like a break in between, and especially because if I get in, it's going to be in the city, it won't be close to home.

Many participants spent the matched funds on school fees, books, uniforms and other 'regular' expenses related to school enrolment rather than a single purchase. All of the participants described having difficulty meeting the costs of children's education⁶. The 'spike' in school-related expenses at the beginning of the school year required careful budgeting, particularly as it came not long after the expense of Christmas. Parents with older children described the increased costs as their children aged – more expensive uniforms, textbooks, camps and extracurricular activities and the cost of computers. Yet parents placed a high priority on making sure that they could cover these costs, wanting to ensure that their children did not miss out.

Ruth had used her matched funds to buy new uniforms for her sons who had previously worn second-hand uniforms and had been embarrassed about them:

They're in the right uniform. Like, when I was going to the op shop and buying the op shop pants and shorts and that, they were getting embarrassed because they weren't in the right style ... So, now we don't have that embarrassment problem.

While all the study participants found that the matched savings had eased the burden of education costs, some parents commented that this merely meant that their children would not miss out on educational goods and services available to other children. Elena, who had purchased a new computer and desk for her son, tried to shield him from the consequences of living in a low-income family.

He doesn't understand this 'low income.' For him we're like everyone else ... Of course it's important for me, and to be honest with you I manage for him to have pretty much everything what his friends are having, because it's important, like the computer ... For me, it's important for my son not to feel different from more fortunate families. So I'm trying my hardest to do that.

Naomi's older son had been accepted into a selective government high school, which meant she needed to buy a new school uniform and pay higher fees than for his previous school:

I used the matched savings to pay for school fees, school uniforms, and piano lessons for [younger son]. My older son's new school charges \$300 in fees that isn't covered by the EMA, and he needed a whole new school uniform.

⁶ The majority of Victorian participants received the state government Education Maintenance Allowance (EMA), available to Centrelink benefit recipient families, which reduced educational costs but did not cover all the expenses at the beginning of the school year. No such allowance was available to participants in New South Wales.

4.0 THE SOCIAL DIMENSIONS OF SAVING AND BUDGETING ON A LOW INCOME

Five single-parent families in the study had enrolled their children in private schools, which placed even greater pressure on their limited income. Another two participants with pre-school children expressed a desire to send their children to private schools in the future. Several factors became apparent in influencing parents' choices regarding schools. Firstly, some parents felt that children who had gone through family breakdown were more vulnerable or had greater needs which could be better met through a private school. Manjula, who put part of her matched funds towards school fees (totalling \$10,000 per annum), explained:

I put [the children] into a Christian school ... This is not a judgment on anyone who does put their children [into public schools] but just with where I'm at with my faith and with the kids, and they get the adversary [sic] with their dad when they're there, I thought they'd benefit from the school. And plus, our church – all the kids that go to church go to the school. So I thought I have that connection, that link ... it's a lot of sacrifices along the way ... I've got friends who have their own homes who have been through the same as I have ... and we're still renting. But I don't regret that.

Sofia's older son went to a Catholic primary school, and she was concerned about being able to afford the additional fees when her younger son started school. She was paying around \$2,000 a year in fees:

I'm really worried because I wanted to, I'm a Catholic, so I wanted to send my son to a Catholic school, but they're all so expensive ... Yeah, that's the biggest worry ... because once I paid bills and food and everything else, it's like there's never any money for the school fees, and I'm so tempted to put [my younger son] just at a state school. But I would hate to do that to my bigger boy, he's very timid and shy and doesn't make friends very easily, I think that would just kill him to start grade 3 somewhere else.

Some mothers felt that religious schools would provide a 'moral' education for children, and this appeared to be related to concern about the perceived stigma of being a child from a sole-parent family. Other mothers felt private schools offered a greater sense of community and a better future through greater educational success. Ruth had moved her children, all of whom had learning difficulties, to a private Christian college. When her ex-husband had reneged on his agreement to pay for the school fees, Ruth had come to a 'confidential' agreement with the school:

The biggest cost to me is my private kids' education, but it's a choice I made ... they're happy there, they're achieving a lot. They've probably got more confidence and better self-esteem because of it, and it's sort of like a little family. They have smaller class sizes, because my kids were struggling.

Conditions for use of matched funds

While all participants who completed the program were very grateful to receive the matched funds, some felt that the items that the money could be allocated towards were too limited. Sofia had joined Saver Plus intending to use the matched funds towards her son's private school fees, but was then told that she could not, forcing her to find other things to spend the money on, although she was later informed she could use the remainder for school fees. It should be noted that voluntary state school fees and private school fees are not eligible expenses for the Saver Plus matched funds, but textbooks, uniforms, stationery, excursions and camps, specialist subject costs, tutoring, extra-curricular activities, computers and computer-related costs are all allowed. The intent behind the allowable savings goals is to enhance education rather than to cover the basic costs of school.

Xanthe felt the defined timeframe to spend the matched savings caused her to spend the money on things that she felt she did not really need:

One thousand dollars to spend on education and other stuff is actually quite a bit of money, so I really needed a new printer so it was quite easy, and I thought look I'll get some of the next size up of school uniform stuff because that can always be a bit of a sting. But then I probably didn't really need the laptop but I was going, 'I'm not quite sure what to do with another \$500 or \$600' ... The girls weren't doing any lessons at that point in time whereas they now are – and you know perhaps that would have been a better use of my money to have been able to hold onto it a bit.

Several participants wanted to use the money towards uniforms, fees for extra-curricular activities, schoolbooks – but found that their completion of the program did not coincide with the 'back-to-school' period.

But I found the fact that I finished the [Saver Plus] course in September stressful because the bills don't just come in September. It was quite stressful to spend the \$1,000 all in that month⁷. So I asked ... if I could pay the fees for his piano lessons in September, but they weren't very happy about that. [And] I asked both of the schools what I owed ... [Younger son's high school] actually said no, that I had to pay the fees in August, but then they agreed ... but they let me know they weren't very happy about it. It just would have been better to have had more time to use the money. I'd already paid for all the books at the start of the year, but I will have to pay for another lot for next year – so it would have been good if I could save it for that – but I did manage to work out how to organise the payments'.

Naomi. Completed Saver Plus.

Meeting or missing monthly deposits

When asked how they managed to make the monthly deposits required in the Saver Plus program, the participants had varied responses – typically based on their incomes and expenses. Some participants were surprised that they had been able to manage regular deposits relatively easily:

It's funny really, because you always thought we haven't got enough money but then as soon as it's the end of the month I straight away transferred ... and then you think, 'Oh, we still can survive'.

Merpati. Completed Saver Plus.

People's level of debt and the size of monthly debt repayments appeared to greatly affect the ease of managing the monthly instalments. For example Manjula had just finished paying off a \$12,000 debt when she began the Saver Plus program, and was therefore able to switch from the \$350 per month debt repayments to the \$100 per month saving deposits required, although she still found it difficult at times:

Don't get me wrong, it wasn't a picnic, but I would, and sometimes a payment would be made two days before ... it got very tight some months where it was right at the end. But like I said, it was more juggling what I had than saying I can't pay my electricity.

Manjula. Completed Saver Plus.

For many of the study participants, the promise of matched saving was the main incentive to find the money each month to make the required payment. Asked if she had struggled at all to make the payments, Sofia responded:

No, not at all, because ... I was going to get a bonus from it, so the incentive was there. So not at all, it was like a priority that that money had to go in there ... I knew I had to take out \$100 and deposit it in the bank, before anything else ... so it just showed me that I was spending a lot, just here and there and lots of toys for them and things. So it just made me realise how much money I throw away.

Sofia. Completed Saver Plus.

⁷ The Saver Plus program is designed to allow participants three months to use their matched savings; however the comments of some study participants indicate they were unclear about the timeframe.

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Rosa's debt repayments and her reduction in income when she stopped working due to difficulties with her son's child care meant while she made all the deposits, she then struggled to pay her utility bills:

At the time I found it really hard [to make the \$100 payments] because I was paying off something else as well ... the TV... When I was working it was fine, but when I stopped working and I didn't have that extra money, because – towards the end of the year I actually had to stop working because I had to take [my older son] out of child care, because of his asthma ... I went to pick him up and he was coughing and choking and nearly turning blue ... and I took him straight to the hospital. And I spoke to them and said, 'That is not good enough' ... I had to take him out of that child care so I couldn't go to work anymore – it was in the middle [of doing Saver Plus] ... I managed somehow... but I got behind in other things, mainly the bills ... [The TV was] financed with GE. It was 12 months interest-free so I had to pay it in 12 months. Which I did, just ... I ended up actually having to ring up ... for utility relief ... because I wasn't going to make it. And I think I also had help from the church, it was [an unexpectedly high] electricity bill again which was hard.

Rosa. Completed Saver Plus.

Of the 11 participants who completed the Saver Plus program, seven had missed at least one payment. These missed payments occurred for diverse reasons. Martina described having a busy month, a number of bills becoming due and her studying and childcare needs restricting her capacity to engage in more paid work:

There was one month I was behind and I had to catch up quick smart. [It was] just bills and things, and school – it all revolved around my course – and the lack of work that I was able to do. And I can't work nights. I'm from a hospitality background so I could have – if I had someone here to watch [my children] maybe two or three nights a week – but then [I had to] study.

Others had missed payments owing to losing track of when the payment was due. This occurred when participants were making payments in person, or manually transferring money online. Ruth, who had withdrawn from Saver Plus during her first enrolment but subsequently re-enrolled and completed the program, found that setting up an automatic deduction for her second attempt made repayments much easier:

I think the automatic deduction worked a lot better than going in and paying the money ... Once you got that up and running, it happened by itself and it takes a lot of the thinking out of it, whereas you had to remember to go down and pay the money in and sometimes because the leg's sore, or it was wet, it was cold, it was whatever, I just wouldn't do it.

Withdrawing from the program

The eight study participants who withdrew from the program (including Ruth who subsequently completed) did so for a range of reasons. Some of the early leavers simply struggled to find enough extra money to meet the deposits. These participants had higher debts and low incomes and did not have full decision-making power over their household finances.

Other early leavers include one woman whose erratic income from casual work made it difficult to manage regular deposits, and others struggled to organise transferring the payments or, in one case, to attend workshops. Those who found the logistics difficult had tended to 'give up': several of these participants also admitted that they did not 'micro-manage' their finances, and had a more relaxed attitude to their household budgets. Most of these participants also had slightly higher incomes than the rest of the participants.

Maria, whose family had high debts and were struggling to make ends meet, withdrew her Saver Plus savings to help pay for her mother to come to Australia. Maria had just had a baby, and also had four older children to look after. Her mother had offered to come to help but Maria wanted to ensure her mother enjoyed her stay:

That's what happened to my Saver Plus because – last year, my mum came over for a visit, I think I already had like \$600 already in [my Saver Plus account] ... and I want to be – I want her to be happy and enjoy life while here in Australia. So I was thinking, maybe I could use this money so I will spend that ... So that's what happened, that's why I didn't finish my Saver Plus program ... I really wanted to continue ... [but] I don't have any regrets why I leave the Saver Plus program because at least they helped me to save – gave me some ideas how to save money.

Maria. Did not complete Saver Plus.

Maria's husband earned around \$1,300 per fortnight and they received \$845 in Family Tax Benefits and \$50 Parenting Payment Partnered. Their mortgage repayments represented around 43 per cent of their household income, placing them in 'mortgage stress'. In addition, the family was paying \$800 a month on a personal loan and \$400 each month on a car loan.

Kellie, another early leaver facing financial problems, found it difficult to make the deposits on time, and appeared to lack support from her husband who was managing the family's money.

I went with my sister the day she was signing up for [Saver Plus] and the worker asked me if I wanted to sign up too ... And me being me, [I said] 'Oh, that's a fantastic idea. Yeah and pull \$80 a month out my bum [sarcastic]. We just couldn't meet it. [My husband was] like, 'Great idea Kellie, dunno where you're getting the money from' ... I had to ring [my husband] and tell him to put the \$80 in the account. I know we had to borrow it back a few times – borrowing from Peter to pay Paul.

It does come down to I think because we have got ourselves in too deep over the years ... [Also] if we could've done it through [our own bank] where the money would transfer automatically straight away ... we tried for six months and because Trent would get paid on this date and the money had to be in by a certain date, unless I actually went down there and deposited it, we'd forget and we'd transfer it [late] and it wouldn't be in there so it wouldn't register for that month.

Kellie. Did not complete Saver Plus.

Samantha had signed up for Saver Plus after being given a form by her children's school canteen manager, but she found that her fluctuating income from casual work made it too difficult to sustain regular deposits. She had recently quit her sales job and had commenced as a casual teacher's aide in a special school, but her irregular and unpredictable income made regular Saver Plus payments difficult. By the time of the interview, Samantha was working two days a week on a permanent part-time basis:

Because I wasn't getting regular money in each fortnight it was quite difficult to do, it really was, and I was like, no, just didn't feel like it was right for me to do, so I didn't do it ... Some weeks you had more than others ... taking that [Saver Plus deposit] money away, I don't know, just taking that money away I just couldn't justify ... it was like about \$100 and I just didn't want to think about it, to be perfectly honest with you. I was just like ... my main goal was getting a permanent job, getting a job at the school and then, oh yeah, I'll look at that later on. I have a set regular income now, whereas before it was like a bit different.

Samantha, single mother, two children aged 13 and 10. Part-time teacher's aide, permanent employment. Private rental in regional city. Did not complete Saver Plus.

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Ruth enrolled in the program and then had to withdraw due to financial difficulties. She described the circumstances:

Each year I've always been able to keep a small residue, about \$200 or \$300, in my bank account, but when the kids started into the high school thing it took a bit of a leap, and I really didn't have that little bit ... I think I probably [got a lower tax refund] that year and over Christmas I might have just gone a bit further than I should have, and yeah, I wasn't quite ready and there was a big step up in the school fees, and I hadn't quite got myself right ... That didn't quite work, because I didn't have enough 'float' [to cover the Saver Plus deposits] and I was having things deducted out of my money and I was getting overdrawn each time and then they paid \$40 and I had to pay \$40 overdrawn. I got behind.

After withdrawing, Ruth had received the federal government's 'stimulus package' payments which enabled her to pay some outstanding school fees and to restore her 'buffer'. She then re-enrolled in the program and completed it.

Scott pulled out of the program after withdrawing money from his ANZ Progress Saver account on several occasions. A coupled father of four, he was a tradesperson running his own plumbing business and admitted that the only reason he qualified for a Health Care Card was the way he structured his taxable income, and he commented that he eventually felt guilty about remaining in the Saver Plus program. However, Scott's approach to budgeting was, in his own words, 'You might end up in the water but you won't sink – you'll swim. You'll find the edge of the pool!', not an approach which involved micro-managing his household budget. Scott was also on a higher income than most Saver Plus participants. However, due to erratic income particularly during the global financial crisis, he had still found himself withdrawing from his account to cover unexpected expenses.

But at that time I was short of money. So I'd rip the money out, and then [the Saver Plus worker] would ring me and say 'Scott, get it back in now, you've got three days to get the money back in'. And I was [saying] 'Yeah, yeah, yeah' but I was thinking, there's other people who need this money, more so than me ... All of a sudden there was braces or something like that for one of the kids came up. Or things were a bit quiet, 'Ah, I know where I can get \$400 bucks, bang' and then you don't get around to putting it back in until the next one's due. And then it's 'Do you want to start again?', and I'd say 'Yeah, yeah, yeah, let's start again, I'll put \$100 in by the next ...' and you never get around to it.

While Susan reached her savings goal of \$1,000, she did not complete the MoneyMinded workshops and was therefore ineligible for the matched savings:

It would have been school equipment [I was saving for] ... my daughter was just starting high school ... that was an important goal for me, and I did reach it. But what happened was ... [the workshops were] when I was in my training for my Certificate III, and I couldn't fit it in. And another one was coming up later in the year, and so I sent it back requesting that I do the second set, and of course that time just flew, and I didn't end up doing it.

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Hannah had started Saver Plus because she needed to buy a computer for her daughter, but then had difficulty setting up direct debit from her existing bank account to her ANZ account. Busy working four days a week and studying at university part-time, she made an attempt to fix this but then gave up, admitting that she was not a 'details' person:

I thought [Saver Plus] was a really good idea ... but for me it was the details stuff – so I went and opened the account, which was fine, but when I went to go and do the direct payment from my bank to the ANZ, it wouldn't do it because I didn't have all the details. And that was enough for me to go, 'Oh, it's too hard!' And I didn't get it in the first time, and because I work and I study I just didn't follow it up ... I just thought 'Oh god, this is too complicated'... then I missed two more payments and I think I had to do it in a particular time frame, but ... I couldn't get the payments in because I hadn't set it up right, and trying to ring the bank when you're not a customer of theirs, it's really hard.

Hannah. Did not complete Saver Plus.

4.4 CONCLUSIONS FROM PARTICIPANT INTERVIEWS

One of the clearest findings was the heterogeneity of the sample of Saver Plus participants. The study participants varied in terms of the size and stability of income and expenses, size of debt, family form, housing stability and incidence of housing 'stress', hours worked, number of children and so on. All of these factors interacted in complex ways to influence saving behaviour and capability. However, despite these differences, there were also many similarities. Many participants described similar pre-Saver Plus strategies to manage their finances. Most commonly these focused on the most 'elastic' variables in their modest household budgets – expenditure on food and groceries and the cost of services such as mobile phones and internet. In relation to groceries, almost all participants described practising frugality and shopping around for the lowest prices. Many adopted other strategies to smooth larger, one-off costs such as car registration across the year.

Some engaged in 'bill-smoothing', including more formal arrangements offered by utilities providers. However, while these 'services' helped participants minimise the risk of unexpectedly large bills, and expected increases such as higher heating costs in winter, these services benefited the providers more than the consumer.

After Saver Plus, the 'savers' continued, and some previously 'non-savers' also maintained their saving 'habits' adopted during the program. Others strongly adopted the program message regarding the benefits of saving but struggled to save in a sustained and regular manner. This struggle usually resulted from external factors such as unstable income or housing; technical factors such as lack of direct debit; and also motivational factors relating to lack of a new savings goal. The savers had quite varied savings goals: creation of a 'buffer' or for emergencies, saving towards larger costs such as car maintenance or school costs, saving towards replacement of household items and vehicles, and saving for 'special' items such as holidays that they would otherwise miss out on. Savings were seen as hard-earned and people were reluctant to use the money towards 'non-goal' expenses, although for some this meant accumulating debt while maintaining savings.

Early leavers fell into two main groups: on one hand, those who simply struggled to meet the deposits due to higher debts, lower incomes and, for some, limited decision making power over their household finances, and on the other, those with slightly higher incomes who were resistant to 'micro-managing' their household budgets and/or had fluctuating incomes which made forward planning difficult.

The effectiveness of Saver Plus overall was clearly influenced by the broader social circumstances in which participants found themselves. While the program provided useful insights and strategies, and also a focused forum for setting savings goals, the capacity of participants to maintain savings was shaped by issues relating to income, debt and high housing and education costs. Saver Plus was most effective for participants with no or low non-mortgage debt, regular income from paid work, and prior patterns of budgeting and saving.

5.0 SAVER PLUS WORKER SURVEYS

In addition to the semi-structured interviews of Saver Plus participants, a short written survey was conducted with 37 Saver Plus workers. Most of these workers had joined since July 2009, around the time the program was expanded.

Twenty-three workers had at least one early leaver at their location. Workers were asked if the discussion of the withdrawal was initiated by the client, the worker or 'mutual'. The responses indicated that most of the withdrawals were agreed between the worker and participant (9) or were initiated by the worker themselves (10). The survey then asked for the reason for withdrawal. Common answers were that clients simply stopped responding to contact from workers and stopped making deposits, or regularly withdrew money from their ANZ Progress Saver accounts. Others included financial stress, forgotten deposits, and unexpected events such as illness, changes in income including loss of a job and personal mental health issues. There did not appear to be a difference between the reasons provided by workers who stated that they had initiated the withdrawal and those who stated the discussion was 'mutually' initiated, perhaps indicating that the distinction was a matter of interpretation.

5.1 PROGRAM CHALLENGES FOR PARTICIPANTS

The workers were asked 'In your opinion, what about the program is the most challenging for participants?'. The majority of the responses related to the time commitment involved in attending workshops (11 responses):

- > attending the MoneyMinded workshops – time issues mainly scheduling
- > organising to attend MoneyMinded
- > finding common workshop time
- > making time for MoneyMinded session
- > finding 4 weeks to do MoneyMinded. Many pay babysitters, get public transport, miss work (part-time) etc. to attend.

The next most common theme related to difficulty starting the program, either to do with lack of confidence or the logistics of attending initial meetings and setting up the ANZ Progress Saver account (8 responses):

- > committing to start opening account
- > making the enquiry and deciding to join
- > attending sign up meeting – setting up bank account
- > sign-up and first deposit
- > just have belief in themselves that they can do it.

Workers also mentioned difficulty making regular deposits on time (5 responses) and issues to do with participants' concerns regarding their financial privacy (4):

- > depositing on time
- > monthly deposits as opposed to date-to-date monthly
- > establishing foolproof system of making deposits (e.g. electronic deposits)
- > consistently saving, remembering deposits
- > discipline of depositing before the end of the month.

Responses regarding financial privacy concerns included:

- > initial interview, feeling vulnerable re finances
- > having to talk about personal finances at sign-up
- > confronting their budget
- > sharing their financial situation.

5.2 PROGRAM BENEFITS FOR PARTICIPANTS

Saver Plus workers were then asked, 'What do you think is the most beneficial aspect of the program for participants?' An overwhelming majority (28) responded that the MoneyMinded workshops provided the greatest benefit. Seven respondents elaborated that the benefits of MoneyMinded were twofold – firstly providing new concepts and skills to participants, and secondly providing an opportunity to be part of a group, interact with others and share ideas. For seven workers, the development of a savings habit was the most beneficial aspect of the program. The remaining responses included increased confidence and empowerment, and receipt of the matched funds.

5.3 SUGGESTED IMPROVEMENTS

In response to the question 'What do you think could be done to improve the program for participants?', the largest group of workers sought greater flexibility in the program – including eligibility requirements (in particular extending the program to carers and others who are not engaged in paid work), and also monitoring missed payments and extensions for payments. Other responses included increasing the amount of the matched savings (possibly those workers who had seen the change from \$1,000 to \$500), and reducing or streamlining the paperwork for participants at commencement of the program. A small number of workers suggested that MoneyMinded workshops could include more local information, 'more relevant examples' and savings ideas for participants to adopt with their children⁸. Six workers did not respond to this question, and three felt no improvement was needed.

5.4 WORKER ROLE

In response to the question 'How do you think your role contributes to the success of Saver Plus?', the Saver Plus workers believed that their roles were central to the success of the program, highlighting the significance of the worker-participant relationship. Responses were evenly spread among the importance of the Saver Plus worker as a supporter, facilitator, motivator and mentor; the importance of being non-judgemental, building trust and a rapport with participants; and being able to relate to participants.

5.5 PARTICIPANT PROFILES

The final survey question asked workers to identify the main characteristics of someone who would be likely to (a) complete the program, (b) leave the program and (c) choose not to participate in the program despite being eligible.

In relation to the 'completers', responses included both contextual and relational factors as well as the attitudes of participants. It was identified by workers that completers were more likely to have stable incomes, stable housing and stable relationships – and were also more likely to be 'on top of their finances' prior to entering the program. The attitudinal characteristics identified were being 'motivated', 'determined', 'committed' and 'goal-oriented'.

The characteristics of 'early leavers' identified were also spread between external factors and the perceived attitudes of the participant, although the external factors dominated the responses. Unstable life events, unstable family issues, unstable work (casual, irregular), lack of existing savings or reserves and pre-existing debts or money problems were all identified as common circumstances of early leavers. Lack of support networks was another factor which was readily identifiable by the workers. Other barriers to completion included poor mental health and substance abuse, as well as 'lack of motivation', 'lack of confidence' and 'only in it for the money'.

⁸ Since the survey, a review of MoneyMinded workshop content has considered these issues.

5.0 SAVER PLUS WORKER SURVEYS

Completers were more likely to have stable incomes, stable housing and stable relationships.

In relation to the 'non-starters', the most commonly identified characteristic was lack of time or logistical difficulties in attending MoneyMinded workshops due to paid work, care responsibilities, childcare needs and distance to travel, particularly in rural and regional areas. Scepticism about the program and lack of trust were also identified. Less common but recurring responses were that some non-starters were already doing well financially and felt that they would not benefit from a financial literacy education, whereas others feared exposing their financial problems and lacked confidence to participate. Youth was also identified as a characteristic of non-starters.

At the end of the survey, Saver Plus workers had a small amount of space for general comments. Twenty-three workers provided comments, which fell into two categories, firstly restating suggestions regarding the program itself, and secondly related to support for Saver Plus workers. Some workers reiterated a strong desire that the program be available for more disadvantaged participants and include those not in paid work (it should be noted that this is currently being piloted). Some suggested that the MoneyMinded workshops need to be more flexibly delivered to accommodate participants' needs, and also that they could be better tailored to deal with local issues and provide local resources and referrals. In relation to the workers themselves, the Saver Plus workers were passionate and enthusiastic about the program and would like more opportunity to provide feedback regarding the program and to communicate with other workers. Some workers felt isolated from other Saver Plus workers due to their geographical location, and others expressed a strong desire for greater workplace training and education to develop their skills in this area and other areas related to financial inclusion services.

This study aimed to increase understanding of the social factors affecting individuals' decisions and capacity to take part in Saver Plus and on their saving and financial situation more generally, and to identify social barriers faced by more-disadvantaged participants or potential participants.

6.1 CONCLUSIONS

It appeared that key factors influencing ongoing saving were debt levels, reliability of income, use of direct debit or an automatic payment system, and having a new savings goal. The program worked well for participants who already had a systematic approach to budgeting and were able to incorporate regular saving in their existing budgets. Even participants who did not become regular savers expressed a desire to save in the future and benefited from information they had received from the program regarding resources for low-income families, consumer rights and understanding credit and debt. Most participants also spoke very positively about the 'needs' and 'wants' focus within the MoneyMinded workshops and it appeared that such an approach allowed the participants to feel a sense of control over their financial situation.

A small number of the more disadvantaged participants found that saving beyond Saver Plus was not possible. Some of these participants felt that their particular circumstances were not adequately recognised by the program, and these people – both completers and early leavers – tended to have high debts, lower incomes and high housing costs and feel that they were only just making ends meet. These issues suggest that while the Saver Plus program has measures designed to screen participants who might not be able to afford to participate in the program, some of this cohort did join and successfully complete the program, and that perhaps the MoneyMinded workshops could provide some further resources and strategies for 'struggling' families.

The early leavers included participants who were struggling financially, those dealing with fluctuating income and expenses and those discouraged by the logistics of setting up payment transfers. These participants also tended to have a less organised approach to their existing household budgets and felt that 'micro-management' would not suit them. Consideration should be given to how people with different approaches to household budgeting could be attracted to and retained within Saver Plus.

A small group of participants who were very positive about the program had established regular saving but were concurrently servicing debts making minimum repayments. It appeared that these participants knew that this behaviour would make them worse off, but they also felt strongly that they should protect their 'hard-earned' existing savings and continue to add to them. While MoneyMinded provides information about the traps (and also the benefits) of credit and debt, for some participants this advice was not sufficiently helpful for practical decision making. Comments such as 'I know I should be paying off more than the minimum' indicated that some participants understood the pitfalls, but when faced with complex decisions regarding when to save and when to pay debts, when to spend savings and when to use credit, all in the context of competing needs and limited resources, these participants had difficulty knowing what they should do. The economically 'rational' action would be to first pay off existing debts since these have a higher interest rate; however participants felt that such an approach would leave them vulnerable for future unexpected expenses. Having savings also clearly provided a sense of security and achievement – whether or not it actually improved these participants' net worth.

6.0 CONCLUSIONS AND RECOMMENDATIONS

Margaret Sherraden and colleagues note the complexity of how policy should address situations where low-income families must decide between paying debt and saving, particularly when some families have large unsecured debts which might take years to pay off, leaving them vulnerable to crises in the meantime. They suggest a debt and savings plan could be developed in which debts are paid back more slowly (presumably having been consolidated at the lowest rate possible) while building savings (Sherraden, McBride & Beverly 2010). While the MoneyMinded workshops currently provide information about structured ways for participants to budget, reduce 'unnecessary' expenditure and build a savings buffer, as well as about debt and unsafe credit, it might be useful to address the interaction of these issues in 'real' situations. Participants could be assisted to design the most advantageous individual plans to address their particular circumstances in the present and future.

The finding that some participants accumulated debt while saving also raises broader structural issues around the availability of fair credit products for low-income earners and the need for greater regulation of products targeted at low-income earners (and others) which lock consumers into paying high interest, often through an offer of an 'interest-free' period. A sizeable minority of participants were using 'interest-free' deals to obtain credit for basic household items and some were unaware that the minimum repayments would not ensure that the debt was repaid during the interest-free period. Greater regulation of credit providers could include a requirement of easy-to-read terms including a clear statement of the minimum repayment amount that would clear the debt within the interest-free period. If the consumer elected to make a lower repayment, credit providers could be required to indicate the time it will take to repay the borrowed amount, as well as the additional interest the customer would incur.

The finding about debt alongside saving also emphasises the need for safe and affordable credit products for low-income earners, particularly to cover modest costs of essential household items such as washing machines and fridges. The Progress Loan offered by ANZ in partnership with the Brotherhood of St Laurence is a good example of such a product.

The study also identified some of the social benefits of Saver Plus. All of the study participants who completed Saver Plus, even the early leavers, thought highly of the Saver Plus program and were grateful for the assistance they had received, not only the matched funding but also the support from Saver Plus workers and the information given in the workshops. The impact of the program, insofar as this small study is able to provide insight, was primarily to do with assisting low-income parents meet the costs of their children's and their own education. These costs are increasingly borne by parents, and lack of money can directly impact upon children's school experiences through exclusion from activities, difficulty keeping up with schoolwork due to lack of a computer or current textbooks, and a sense of being identifiably 'different' from other students, particularly when wearing an incorrect or too-small school uniform. The costs of education typically fall due at the start of the year, placing considerable financial pressure on parents. The matched funds clearly relieved this burden and encouraged many participants to put aside money for future 'back-to-school' periods.

Involvement in Saver Plus also had a clear impact on a number of participants who, as a direct result of the program, became regular savers. While the amounts saved after Saver Plus were modest, they had enabled participants to purchase household items without going into debt, reduced the debt incurred to purchase bigger items like a car, and enabled families to go on long-overdue holidays. The new savers felt reduced stress about their finances and greater confidence from setting up and achieving their savings goals. In addition, many of the participants described longer-term strategies of building 'human capital assets' through education and training, and also increasing hours of paid work (and hence their income) as their children grew older. Many felt that large goals such as home ownership or adequate retirement income would only be achieved through substantially increasing their income, although others felt that even then these goals were out of reach, and instead chose to focus on investing in their children's education.

Finally, while saving and budgeting were the primary focus of the study, the interviews revealed the broader context of these decisions, including the factors which limited income, and increased expenses, of the participants. Limited low incomes combined with high expenses fundamentally restricted the capacity to save, regardless of the individual's intentions or capabilities. Employment conditions, particularly casual employment, and receipt of child support had a major impact on participants' incomes. Housing costs, particularly for private renters, combined with education costs and debt repayment all affected the capacity of households to regularly save. Further, issues within couples relating to gender, who controls household financial decisions and who bears the burden of money labour were also important. By comparison, the interviews with single mothers revealed that while separation had resulted in a lower income, it had for many dramatically increased their ability to make financial decisions and control financial resources within their households.

6.2 RECOMMENDATIONS

The following recommendations are for consideration by the Saver Plus program partners.

Saver Plus program

- > Upon completing the program, participants should be strongly encouraged to think about their next savings goal. This might involve staged planning of future savings goals. For example, an initial goal might be to save for the following year's back-to-school costs, but a second goal might be to accrue an 'emergency' fund or to save for replacement of a particular item.
- > The program should be developed to assist participants with strategies for dealing with existing and future debt while saving. Similarly, strategies for how to prioritise competing expenses, when to use savings and when to use credit should also be covered in the program.
- > Completing participants could be offered a voluntary one-on-one consultation with the Saver Plus worker to ask questions about their particular financial situation in private. While participants may not fully disclose debt or other financial problems when commencing the program, it is likely that by the end of the program sufficient trust and rapport has been developed for this discussion to take place. Several participants stated that they would have liked such an opportunity. This session might simply result in a referral to a financial counsellor, but the referral would be coming from a trusted source. Other participants expressed interest in personal advice regarding financial 'planning' for the longer term, but felt that such services were not available for people on low incomes.
- > Greater flexibility should be afforded to participants who experience difficulty managing regular repayments due to external factors such as fluctuating paid work income, and unexpected drops in income due to unpaid child support or time away from work because of ill-health or childcare responsibilities.

6.0 CONCLUSIONS AND RECOMMENDATIONS

- > Greater flexibility could also be provided in delivering MoneyMinded workshops for participants who are time-constrained, based in regional or remote areas or disabled. This might include online delivery or a mixture of face-to-face and online delivery. However, caution should be exercised in implementing these alternatives as the greater flexibility and accessibility afforded by online delivery might be gained at the cost of other program benefits, including the building of a trusting relationship between the worker and participant and peer support experienced during workshops.
- > MoneyMinded workshop content could be expanded to include more local information and resources, as well as more information for parents who wish to encourage saving habits in their children.
- > Participants should be granted more flexibility in the time to use matched funds in order to allow better alignment with costs associated with the school year.
- > Referrals to other financial management services, including financial counselling, should be offered where appropriate, particularly for participants withdrawing from the program. Information about debt consolidation and alternative microfinance products should also be provided.

Broader policy reform

The Brotherhood of St Laurence makes the following recommendations.

- > Greater regulation of unfair and unsafe credit products is needed. This must be matched with more accessible, safe and affordable products for low-income households.
- > Better integration of existing financial management services, such as savings programs, affordable loans and financial counselling for low-income people, would streamline referral processes and information provision.
- > Policies which currently act as a disincentive for low-income earners to save, such as existing asset limits for Centrelink payments, need to be reviewed. The same applies to the disincentives, including effective marginal tax rates and childcare costs, which may discourage low-income earners from increasing their paid work hours – see the recommendations in the Brotherhood of St Laurence report, *Making work pay and making income support work* (Bodsworth 2010).
- > Longer-term asset building for low-income people should be supported, in particular through policies which address housing affordability. Home ownership, the main way many Australians build assets, is increasingly out of reach for low-income members of the community. The flow-on effects of this exclusion are increased housing insecurity and housing 'stress' through exposure to the private rental market. At present, incentives for home ownership are inequitably and inefficiently distributed across the socioeconomic spectrum (Yates 2009).
- > There is a need to address the increasing financial burden faced by individuals and households in covering the costs of basic services including education and health. This shift disproportionately affects low-income Australians. In relation to education, see the recommendations in the Brotherhood of St Laurence report, *Cost shifting in education: implications for government, the community sector and low-income families* (Bond 2009).

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