

Findings from Focus Groups of LMI Youth Regarding Saving and Spending



In the summer of 2014, America Saves conducted focus groups as part of the research and program development for the America Saves for Young Workers program. The initiative works with Summer Youth Employment Programs (SYEP) to encourage first-time workers to utilize direct deposit and save a portion of their paycheck. These focus groups revealed a lot about what these youth think about spending and saving and provide insights into how they think about personal finance.

Youth, many of whom had completed the America Saves portion of their summer program, were recruited to participate in focus groups conducted by the Alan Newman Research Group before their employment ended with their SYEP. Two sets of focus groups were held in three cities with a total of fifty-five youth aged 16 – 19 from Miami, Chicago, and Washington, DC. They were asked questions about their thoughts, experiences, and behavior regarding saving, spending, and borrowing. In Chicago and DC, youth employees lived in low-income census tracts or qualified for school free lunch programs. In Miami, youth were recruited from two high schools in low- and moderate-income neighborhoods.

After careful review of the information, America Saves compiled the top 10 insights about what these LMI youth think about saving money.

- 1) They know it is important to save, but don't know how.** These youth were repeatedly told by their parents, teachers, and others to save and reported that having savings provided security and independence. But, they added that no one shows them specifically how to do it. They were not referring to financial education, but to mechanisms such as contributing a portion of your pay automatically to a savings account.
- 2) They know it's important to start saving early and that they can start with small savings.** Participants indicated that starting at a young age, typically at the beginning of high school, because many begin to start working then, would help reinforce good savings habits. They added that there was no minimum income needed to begin saving, with many participants citing "every little bit helps."
- 3) While aware of savings best practices, many had difficulty actually saving money and/or meeting their savings goals.** Slightly more than one half perceived they were ineffective at saving money and meeting their savings goals over the summer.



4) They are familiar with direct deposit but do not view it as a savings tool.

Participants were aware of the general advantages of direct deposit – convenient and quicker access to their money. However, very few participants viewed and utilized direct deposit as a tool to increase savings. Only a small number of participants split a portion of their pay through direct deposit to their savings account.



5) The most successful savers had two accounts – one for spending and one for saving.

When asked how successful they were in saving money over the summer on a scale of 1-5, with 5 being the most successful, those that self described themselves as 4's and 5's all had two accounts. They used direct deposit for their entire pay and had a portion contributed to a savings account. In most cases, their bank or credit union encouraged them to set up the split pay process and made it easy for them.



6) They have contradicting feelings about prepaid cards. They view not spending money stored on a payroll card as a way of saving. Yet, they view the card as a spending tool.



7) They understand that spending is about temptation, so they develop strategies to avoid temptation including:

- avoiding stores and restaurants where they like to go
- leaving their debit or payroll card with their parent when they go out, or hiding it in their room
- withdrawing a set amount of cash to last two weeks until their next pay period and not spending any more than that



8) They understand that living within their means and saving is the way to accumulate wealth. Despite their interest in purchasing expensive shoes and clothes, when asked to draw a picture of a successful saver, someone they knew or imagined, these youth drew images of people who lived and dressed modestly, because they were great savers. They did not draw people who lived in mansions or had fancy cars or lavish lifestyles.



9) They feel proud earning money and demonstrate that pride in various ways:

- saving a certain amount successfully
- checking their balances several times a day on their smart phones
- giving some portion of their first pay, or in some cases every pay, to help meet household expenses
- buying gifts for family members and taking the whole family out for a meal



10) They don't like the idea of borrowing money. When asked if they borrow money, a clear majority indicated “no” and stated that borrowing puts them in a negative situation. They did not want to feel in somebody's debt or have someone remind them that they owed money.



Providing a Solution

While many of the participants knew that saving money was important and had positive benefits, many were unable to save. In order to help these young workers save effectively, America Saves is working with SYEP to provide the same opportunity that adults have to save successfully – utilizing direct deposit to automatically deposit money into a savings account.

America Saves knows that the most successful savers save automatically – whether through direct deposit into a savings account, an automatic transfer from checking to savings, or an automatic transfer to a work-sponsored retirement plan. The America Saves First-Time Worker Initiative works with SYEP's to educate young workers about the importance of saving, using direct deposit to split a portion of their pay into a savings account, and to provide safe financial products where youth can deposit their money.

Learn more about this initiative at <http://americasaves.org/organizations/current-initiatives/first-time-workers>

America Saves, a campaign managed by the nonprofit Consumer Federation of America, seeks to motivate, encourage, and support low- to moderate-income households to save money, reduce debt, and build wealth. The research-based campaign uses the principles of behavioral economics and social marketing to change behavior. Nonprofit, government, and corporate groups participate in America Saves nationally and through local, regional, and statewide campaigns around the country. America Saves encourages individuals to take the America Saves pledge and organizations to promote savings year-round and during America Saves Week.