

The page features several decorative elements: a large green rectangle in the top left corner; a thin horizontal line extending from the green rectangle to a small yellow square; a thin vertical line extending from the yellow square to the bottom of the page; a thin horizontal line extending from the yellow square to the left; and a large, thin, light-brown arc that starts at the top right, curves around the right side, and ends at the yellow square. The title "Developing a Savings Habit" is centered in the middle of the page.

Developing a Savings Habit

November 2006



DEVELOPING A SAVINGS HABIT

**Research conducted by Sando and Associates.
Project Management and Oversight by Jean Koppen, Research Analyst,
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AT-A-GLANCE

AARP, in conjunction with the AARP Foundation's Women's Leadership Circle (WLC), contracted Sando and Associates to conduct focus group research as part of its initial assessment of opportunities for meaningful services, information, and programs related to saving. The specific objectives of this study were the barriers to and experiences with saving, effective messages/channels, and avenues for connecting with women. Eight focus groups were conducted in Baltimore and Houston between August 29 and September 7, 2006.

- One of the biggest challenges is managing cash flow, so that bills can be paid without incurring extra fees. There are tools that can make the task of managing money easier, but many banking practices are burdensome or expensive.
- As finances become more difficult, people's focus becomes more immediate – from a vision of the future, to living “day to day.” Coping with poverty is a learning process in which it is necessary to come to terms with a new lifestyle.
- Rapid increases in essential expenses and growing job insecurity have increased the difficulty of saving for the future, particularly for retirement. Credit cards are the source of much of the debt. However, many financial crises are the result of the financial mismanagement of other family members. Savings tends to be short-term and used during the next cash flow crunch.
- Retirement is increasingly uncertain and difficult to plan for. Their income may prevent them from receiving help from government agencies in a crisis.
- Women whose income has declined over time feel isolated and unable to share their situation and problems. They are reluctant to go to someone who charges a fee, and look for advice that is based on personal experience. They are concerned about financial scams and do not trust advertisements. However, most of these women had their taxes prepared by others, frequently a CPA to whom they might turn for advice.
- Messages must be grounded in their reality. The financial tools useful to the middle class may not be the right tools for those with lower incomes. It is vital to maintain a sense of optimism and hope. The financial product ideas presented (credit card that rounds up, tax return deposited automatically to savings) did not generate much interest.

Executive Summary

AARP, in conjunction with the AARP Foundation's Women's Leadership Circle (WLC), contracted Sando and Associates to conduct focus group research as part of its initial assessment of opportunities for meaningful services, information, and programs related to saving. The specific objectives of this study were the barriers to and experiences with saving, effective messages/channels, and avenues for connecting with women. Eight focus groups were conducted in Baltimore and Houston between August 29 and September 7, 2006.

Findings

Three major themes emerged from discussions with low-income, working women respondents – financial practices and tools (“Self-Management”), risk (“Unmanageable”), and coping with challenges (“Mood-Management”).

The first theme, “Self-Management,” involves the solutions that respondents develop to deal with their financial limitations. They hold themselves responsible for their circumstances, and their success or failure. They see a very limited role for the government, particularly in their own lives, and regard having to accept assistance as degrading and an embarrassment.

The second theme, “Unmanageable,” reflects the variety of factors that can and have disrupted respondents' lives. Widowhood and divorce are major factors, but the financial misbehavior and even criminal acts of their spouses and children have sent them into a spiral of debt and legal problems. Added to this is the disappearance of traditional relationships of mutual responsibility and support, such as those between the employer and employee. A deep cynicism emerged in the discussions about employers' lack of commitment to their employees. Job loss is often unexpected, and the cost of health insurance makes the financial drain more severe. The easy availability of credit has also increased their financial risks, and they believe that it will be worse for their children.

The third theme, “Mood Management,” addresses the need that respondents have to preserve their own ability to deal with their issues from day-to-day. Many of these women are depressed and isolated by their problems. There was great consistency in the discussion about what helped them to avoid giving up, which again indicated that they assume full responsibility for solving their own problems, and are reluctant to look outside for solutions or assistance.

The specific issues covered in the focus group discussions were: decision making, money management, changes in financial behavior over time, savings and debt, challenges, sources of information, and a test of the AARP bulletin message about savings.

Introduction

Background

AARP, in conjunction with the AARP Foundation's Women's Leadership Circle, contracted with Sando and Associates to conduct a qualitative study of savings behavior among working families with incomes at or below \$25,000 annually. The project goal was to collect a range of data on the financial behavior and challenges of lower-income women in order to:

- Identify the barriers to saving
- Understand women's experiences with savings
- Identify messages that resonate with lower-income women.

We covered multiple topics, and the discussions in the groups varied based on the experiences of those particular respondents. The issues included: money management, changes in financial behavior over time, savings and debt, challenges, sources of information, and messages about savings.

The study recruited a diverse sample, including African American and Hispanic women. We segregated the groups by age, since saving and consumption patterns are tied to life cycle. The study involves a 20-year age span that includes the retirement process, so the respondents were split into two age segments - nearing retirement (age 45-55), and retirement eligible (55-65).

People living at this low-income level can be found throughout the country. We wanted to find women who were able to get by without being in a constant state of financial crisis. Therefore we looked for cities that were not expensive in terms of housing and other costs, and without depressed job markets.

We required the person recruited to have responsibility for family finances, to have at least some high school education, and to meet the age and income requirements. We also obtained a mix of experience with debt and employment histories. Having both younger and older families allowed us to explore financial challenges that occur at different times in the family lifecycle, such as educational expenses and retirement.

A total of 8 focus groups were held: 4 in Baltimore (August 29 and 30), and 4 in Houston (September 6 and 7). The groups were segmented by age (45-55 and 56-65). A total of 4 groups were conducted with the younger respondents and 4 groups with the older respondents. The target size for each group was 8-10 participants.

Methodology

Qualitative research is exploratory in nature and useful for understanding human behavior, decision-making, and underlying values. Respondents are recruited on the basis of their knowledge of the particular issue, their ability to provide explanations and examples from their own deep experience, and their possession of certain representative characteristics. The sampling is “purposeful” rather than random, and the data cannot be projected to a stated universe. The ideas and understanding generated by focus group research can be useful in developing the parameters for later quantitative studies.

To recruit participants for the focus groups, we first looked for two cities. To find cities in which households earning a maximum of \$25,000 annually could support themselves, we consulted the financial calculator published by the Economic Policy Institute. It contains data on the income required in various cities for a woman and child to live at a basic level. It indicated that the minimum income needed in Baltimore is \$34,105 and in Houston is \$27,948. Thus Baltimore represents a more challenging economic environment for this income level, but one that is very common across the country. We selected Baltimore and Houston for the focus groups on the basis of this economic data, and also because the two cities represent different trends in terms of immigration and racial diversity. Please note that the median household income for the U.S. is \$44,684, according to the U.S. Census Bureau.

A screener was developed to recruit potential candidates for the focus groups (see Attachment A). On the basis of answers to the screening questions, groups were assembled to participate in the discussions in both cities. The groups ranged from 7 – 11 people in size, and each lasted approximately 2 hours.

Prior to the date for the first group, a discussion guide was developed (See Attachment B). This guide covered a wide range of topics, using open-ended questions to stimulate group discussion. The topics included: money management, changes in financial behavior over time, savings and debt, challenges, sources of information and messages about savings. All of the respondents recruited had to be the family member primarily responsible for financial matters, had to be working or have a working spouse, and most had to have at least one child. These requirements ensured that they could speak with experience about typical financial matters and decisions.

Each focus group was audio taped. Transcriptions of the audiotapes were used to develop “Topline Reports.” The Topline Reports contain a summary of the data collected in each focus group. They also contain representative quotations from the discussions that illustrate important points made by the groups. The Topline Reports were the first deliverable to AARP, and the transcripts were subsequently analyzed for themes that cut across groups. A discussion of those themes is contained in this report.

Research Results

By recruiting from households with incomes that were below the median for that area, and by requiring that at least one spouse be working (or if the person was single, that she be working), the focus groups represented the voice of working lower-income women. In addition, the groups contained a number of people who had been laid off in the past, lost money through divorce or death, had major medical bills, or gone through bankruptcy. As a result, the discussions produced a wider variety of information than originally expected.

We asked the respondents to read two stories from an *AARP Bulletin* issue about individuals with income challenges, including divorce and job loss, and comment on them as messages. We also asked about messages they heard from others sources including TV, newspaper, Internet or conversations that made them take some action. In this way we hoped to get ideas about what makes messages effective.

This section contains a macro-level discussion of underlying themes and attitudes that resulted from the analysis of all the transcripts. Following that, the next section will present a look at each issue across all the focus groups.

Self-Management

These women took full responsibility for solving their financial problems, as well as the problems sometimes created by other family members. To do this with little in the way of resources required a combination of personal skills and the right tools, frequently developed through painful experience over time. A number of older women in the focus groups said that they had been disadvantaged because of the way they had been raised. They were not expected to be the main breadwinner, and weren't given the education that would lead to a high salary, or the training to handle money. As a result they had undergone a long, hard journey in learning how to manage their financial life.

Some of those who had access to two incomes or had more money earlier in their lives had developed spending habits that became a liability later. Often, when their incomes declined, they accumulated debt and had to declare bankruptcy. The aftermath of that bankruptcy was another painful learning process, and one in which many of them stopped using credit cards.

Learning self-discipline

Respondents were either in the process of learning to be more disciplined about their financial behavior, or had already achieved the necessary self-discipline. Some of the learning revolved around the way they spend. More of the older women than younger women used budgets. One of the challenges for those who were still adjusting to living on less was dealing with cash flow problems. Often there is not enough money available when bills are due, and money has to be closely managed. The budgets allowed these women to see exactly where each dollar was going, and make it stretch further.

Another area of learning is developing strategies for purchasing. They learn to shop at less expensive places, to buy second-hand, to go to garage sales, to reduce their utility bills, get rides with others to reduce gas costs, do repairs themselves, take advantage of programs to smooth out utility bills, buy gifts when items are on sale, avoid eating out, buy cheaper food, and some even avoid purchasing necessary medicine. The down side is that they can get into more debt by “saving money” on sales.

On the income side, some also obtain additional money for expenses by getting part-time jobs, selling things they make and doing informal work such as baby-sitting.

Tools for self-discipline

Another large area of learning has been finding and using the financial tools they have access to. They have learned to use these tools to solve some of their problems and to avoid new ones. They use money orders, often finding places where they are available for free. They give up checking accounts after too many bounced checks and onerous fees. Similarly, many avoid using credit cards and use debit cards instead. This makes their spending more tangible to them, since they won't be able to use their card if the money in their account is insufficient. They are slowly paying off debt, refinancing and moving debt around on credit cards to lower interest payments.

In order to save, many reported that it helps to have some money taken directly from the paycheck, so that they are not as aware of it. On the other hand, having a spouse with different spending behaviors can be a challenge. It can make it hard to know whether a check will be covered, an important issue when bank fees may be larger than the check.

Another tool that these women have learned over time is a new attitude toward financial services. They are cynical and wary about financial institutions and products – checking accounts, credit cards, and loans. They have learned that fees, unfavorable terms disclosed only in small print, and high interest rates benefit only the banks, not themselves. This is necessary adaptive behavior, since it would be very expensive to be in this position and be naïve.

Of course, people adapt to changed circumstances at different rates. For married couples, this presents a challenge when one is trying to cut back and the other has yet to come to terms with having less money. Many women reported that one of their biggest challenges was coping with the financial behavior of their spouses.

Unmanageable

Improving one's money management skills and practices can provide some help in hedging against severe financial problems. But there is much that cannot be managed by women in this position. First, catastrophic expenses can develop unexpectedly. Second, women are sometimes the victims of actions taken by others. Third, they have no security in terms of employment or income.

All families face a series of large expenses throughout their lifecycle. Success in handling these expenses becomes more difficult if the couple divorces, loses employment unexpectedly, or suffers a catastrophic illness, not to mention abusing drugs or alcohol, gambling or taking on too much debt. Most of these trials have occurred to women throughout history. But without a social network to turn to, or institutional assistance of some sort, these women are left trying to manage, often alone. The result is depleted savings, followed by significant debt.

Two issues are compounding their problem – job insecurity and lack of health insurance. Many of our respondents had lost multiple jobs, leading to a downward spiral in their income, which can become permanent. The trends in industry to automate, offshore, and downsize has affected the lower end of the rank and file most of all. The link between employment, insurance and pensions has made job loss a much greater trauma than it would be otherwise. Additionally since most people obtain insurance through their employer, they have few options when it is dropped. When medical expenses occur, it may not be possible to cover them, and certainly they are difficult to plan for.

Our respondents reported difficulty paying for prescription drugs, delaying or deferring medical treatment or regular tests, and even becoming homeless while being treated for cancer. These expenses are fast becoming outside of the range of individual control or solution. They have serious implications for the growth of poverty, in which women are over-represented.

Women as victims

Many of our respondents were cleaning up the financial messes of other family members. This included husbands and children. For example, the fact that a married couple generally shares savings and checking accounts means that the errors of one may affect the credit rating of the other. Some women find it difficult to manage their money if their spouse has very different spending habits, or does not record purchases.

Our respondents offered their experiences with husbands who die without a will or with secret debt; children who get into debt with their first credit cards; parents who become ill and need care; and spouses who lose jobs and abandon the family. Many of the divorced women had been left with significant debt, and were not receiving child support. Obviously they will not be able to share in their former husband's retirement when the time comes.

No security in terms of employment or income

These women faced employment challenges due to their age and, in some cases, lack of training. Quite a few were college graduates but seemed to be in jobs with relatively low salaries such as teachers. Others would like to go back to school or receive additional training, but found it difficult because of their heavy work schedule or lack of money for tuition.

They believed that they faced serious age discrimination in obtaining other work. Those who were self-employed faced some of the biggest challenges, not just from the income instability that self-employment brings, but from the lack of benefits, especially health insurance, which leaves them at high risk for financial disaster.

Retirement savings is perhaps the most difficult of all to face. There are so many crises that may occur before retirement, particularly job loss. Many of these women did not have a retirement plan of any sort through their jobs. Since retirement is the most distant goal, it is the one easiest to sacrifice if money is urgently needed. Many respondents reported dipping into their 401k accounts. They realize the 401k will be inadequate for their retirement needs, even if it is untouched.

Bank fees

It is ironic that those who have the least are hit the hardest by bank fees and expenses. They have a constant struggle to avoid overdraft charges and delays in processing their checks. Credit card companies (which are owned by their “member” banks) take the same position. Late fees and increases in interest rates are their techniques.

With little money to work with, managing their cash flow is not only desirable for staying abreast of their bills, but necessary in order to avoid incurring significant unplanned expenses. As a result, a number of the respondents had given up their bank accounts and credit cards after realizing that they could no longer afford them.

Mood Management

Because of their lack of external support, and their assumption of full responsibility for their financial situations, they referred again and again to the importance of maintaining their psychological wellbeing. Some of the methods they use are to focus on near-term issues, to give up the burden of blaming someone who caused them financial harm, and to do small things to improve their mood.

The crucial importance of having a sense of optimism meant that even if it cost some money, it would be worth it. They may “treat” themselves to a social occasion, meal or small purchase. They also help themselves when they help others, both because they feel that in spite of everything they are able to give, and because they realize that others have it harder. Many of these women do volunteer work for their church or an organization dedicated to an issue they have an interest in. Others are volunteering their time and money to help people they know, or relatives in trouble.

We heard a link between depression and spending. In some cases, their problems with depression led to spending that they could not afford. In other cases, they spend in order to avoid becoming depressed, hoping that a purchase will lift them out of their temporary mood.

Their ability to remain hopeful may also be tied to an unwillingness to look at the whole picture and to acknowledge their dire straits. Instead they focus on the day-to-day issues they face, many indicating that they just try to get through each month's bills as they come.

Issues

The major issues that were explored in the focus groups were:

- Money management
- Changes in financial behavior over time
- Savings and debt
- Challenges
- Sources of information
- Savings message test

During the focus groups, each of these topics was explored, and the subsequent analysis drilled down into the data across groups, in order to understand the larger picture of financial behavior. Below is a summary of the data produced by all the focus groups related each of these issues. The summary includes a distilled essence of the issue and the range of related factors brought up by respondents in discussing the issue.

Issue: Money Management

Essence: One of the biggest challenges is managing cash flow, so that bills can be paid without incurring extra fees. There are tools that can make the task of managing money easier, but many banking practices are burdensome or expensive.

What We Heard:

- People use multiple payment methods, depending on cash flow needs
 - Money orders may do the best job in some cases
 - Money orders may be cheaper than other methods
- It may be necessary to give up checking accounts because of punitive costs
- Some of the best options for money management may not be the cheapest
- Budgets were common
- Many women knew their credit scores
- Some people had organizational problems
- Debit cards are better financial tools than credit cards
- Husbands and wives may have very different money management habits, an important issue for those with little leeway in their finances

Issue: **Changes in financial behavior over time**

Essence: As finances become more difficult, people’s focus becomes more immediate – from a vision of the future, to living “day to day.” Coping with poverty is a learning process in which it is necessary to come to terms with a new lifestyle.

What We Heard:

- They value a strong work ethic
- Assistance from the government would be tolerated best if it were temporary and situation-specific.
- Individuals are responsible for their own financial security
- People find tools to help themselves cope with low income
 - Debit cards
 - Automated savings
 - Prepaid debit cards
 - Budgets
 - Credit reports
- Over time they may give up some or all credit cards
- Shopping behavior has to be re-learned
- Suspicious of credit card or loan offers
- Husbands and wives may adjust to limited cash flow at different rates, causing additional problems

Issue: Savings and Debt

Essence: Rapid increases in essential expenses and growing job insecurity have increased the difficulty of saving for the future, particularly for retirement. Credit cards are the source of much of the debt. However, many financial crises are the result of the financial mismanagement of other family members. Savings tends to be short-term and used during the next cash flow crunch.

What We Heard:

- There is no job security
- Individuals create their own strategies for saving and dealing with debt
- It's hard to save for retirement due to earlier family expenses and crises
- There is no safety net
- Government assistance is limited to people with lower income/assets
- Money is easiest to save when it is taken directly from the paycheck
- You have to train children to handle credit card debt and savings responsibly
- Parents are suspicious of the wide availability of credit cards and the impact of consumer advertising
- There is a learning process in downsizing one's spending
- Increased medical costs are leading to deferred treatment and tests
- Overspending may be linked to depression
- Having to dip into savings to meet emergencies
- Salary declining
- Social Security concerns
 - Exaggerated ideas about changes in retirement dates
 - Mix of faith/hope and negativity
- Companies not offering retirement plans
- Retirement is the individual's responsibility
- Retirement funds = 401k, IRA, and one's house
- Retirement savings will not be adequate
 - Expect to keep working forever
 - Depressed
 - Resigned
- Self-employed owners of small firms are at great financial risk due to lack of benefits/savings

Issue: Challenges

Essence: Credit cards are the source of much of the debt. However, many financial crises are the result of the financial mismanagement of other family members. Retirement is increasingly uncertain and difficult to plan for. Their income may prevent them from receiving help from government agencies in a crisis.

What We Heard:

- Unemployed people are likely to find that new employment has fewer benefits
- Unemployment may be somewhat less problematic for couples than for single parents
- People who are employed should expect to lose that job at some time
- People who are unemployed “need a break,” but don’t get one
- The greatest concerns during unemployment are medical insurance and medical costs
- Job insecurity worries are compounded by the connection between employment and medical insurance
- Insurance is becoming too expensive for the self-employed, for small companies to offer, and for large companies to afford
- Major medical bills can wipe out an individual through no fault of her own
- Quality medical care is not a problem, coverage is
- Unexpected death or divorce can lead to immediate cash flow problems
 - Lack of a will
 - Unexpected debt
 - Lack of child support
 - Switch from two to one income
- Credit reports that contain late or missed payments lead to increased interest costs and other expenses when it is least affordable
- Credit card companies increase interest rates over time, using up more income
- Late fees are heavy

Issue: Sources of Information

Essence: Women whose income has declined over time feel isolated and unable to share their situation and problems. They are reluctant to go to someone who charges a fee, and look for advice that is based on personal experience. They are concerned about financial scams and do not trust advertisements. However, most of these women had their taxes prepared by others, frequently a CPA to whom they might turn for advice.

What We Heard:

- Isolation
- Shame
- Avoid planning because of few resources
- Family and friends consulted, but often do not reveal extent of problems
- Can not afford to pay professional financial advisors
- Do not believe that anyone can help who has not “been there”
- Believe they are doing as much as is possible
- Have learned many coping skills
- Most are not doing their own taxes
- Suze Orman is widely recognized
- Some had gone through credit counseling services
- Many said they were open to new ideas

Issue: Savings Message Test

Essence: Messages must be grounded in their reality. The financial tools useful to the middle class may not be the right tools for those with lower incomes. It is vital to maintain a sense of optimism and hope. The financial product ideas presented (credit card that rounds up, tax return deposited automatically to savings) did not generate much interest.

What We Heard:

- Generally positive reaction to a story format
- Are critical of the examples, based on their own extensive experience
- Financial advisors will expect payment
- Financial advisors will not be able to give you advice that you can't think of on your own
- Not sympathetic to stories of people who are in financially challenging circumstances, but are not making serious sacrifices
- For those just getting into financial difficulties, it is important to break through their denial in order to avoid more debt
- Messages should include advice about maintaining a healthy attitude
- Positive reaction to messages that portrayed real life experiences with job loss, illness, and divorce
- Messages should show how to save "invisibly" – before the money is received
- They look for advice on both spending and savings techniques
- Advice must come from a trusted source in order to overcome fear of scams. Banks are not trusted sources
- A plan provides a goal and a sense of hope
- Several people were already using credit cards that round up and having tax refunds deposited to savings, but others were not enthusiastic

Implications for Messages

The groups did not respond very enthusiastically to the test messages. They found issue with the content and the tone. Their discussion also indicated that the channel might not be the right one.

They looked at the messages that were tested with a critical eye and brought a great deal of experience to their analysis. What might look like a good solution to someone with more money was not accepted at face value. Examples and situations must be real and practical to meet their test. An effective message must reflect their work ethic, lack of sympathy for anyone who is not trying, and expectation that people will adjust to their situation through sacrifice. Messages addressed to this group must also incorporate advice on both spending and saving, since cash flow is one of their biggest challenges.

In essence, what they were looking for was sophistication in the message concerning the challenges of inadequate income. They know what they need to do; it is how to do it that presents the challenge. Therefore it is not enough to say that it is important to save. They need advice about saving when there is not enough money to pay basic bills.

Advice must be layered, presenting a path that can address both the income and debt side of their problem, including restructuring debt, dealing with creditors, the timing of bills, re-thinking daily expenses, sources of additional income, budgeting, obtaining benefits, aligning the financial behavior of family members, etc.

Messages concerning retirement can feel punishing to these women, especially if they once had savings. When they have no financial cushion for even small emergencies, retirement saving is not on the horizon. They noticed that the media assumes that all baby boomers have money, so if you have no savings the conclusion is that you have been frivolous and not saved when you could have. In other words, "it's all your fault." The reality of many of these women's lives is the opposite.

Messages must acknowledge the social and economic gaps that we have in this country that expose everyone to high levels of personal financial risk. The women we talked to have experienced the life crises that can spell ruin when personal resources are inadequate - divorce, death, major medical problems. Increasingly, they can spell ruin for anyone.

Messages should also reflect the learning curve that people go through. One of the most important points may be early on, when problems seem temporary and spending continues at the same rate as before, although now it is overspending. This is the period when people draw down on all forms of saving including retirement and begin to accumulate serious debt. Messages that can address this period with the right tone and content would be extremely valuable.

Another useful target would be self-employed people. Many have no benefits and their income varies with the economy in general. These small business owners often have all the household income dependent on the business. Financial advice that addresses their problems with accumulating savings and meeting the challenges of illness or disability would be extremely useful.

Finding the most effective channel for delivering messages must take into account the isolation and sense of shame these women experienced. Their search for useful advice is limited by their need to present a picture of a person in control. Acknowledging their problems and inability to solve them is a threat to their self-esteem. The person preparing the taxes may be one of the few outsiders invited to provide advice. It was striking how many of the women in the focus groups did not do their own taxes and used tax services or CPA's.

Like many financial firms, tax preparation services gear their business toward the middle class. Since they specialize in income taxes, they also look at life issues through the lens of tax implications. The advice that they provide to women such as those in our focus groups is probably within these parameters. This is not to say that they are not or could not be a channel for the type of advice useful to these women.

While it may seem that banks would be a good source of advice, they also gear their business toward the middle and upper economic classes. In fact, it was clear that many common banking services become onerous to those on very limited incomes. Banks make a great deal of their profit in "fee income," most of which is generated by charges for errors customers make. With their cash flow issues, these women indicated that banks are sometimes part of the problem rather than the solution. Some of the tools that are more useful to them are money orders and phone payments. On the outside it may seem like a mistake to use these, since there is often a fee involved, but in the bigger picture, those fees are less than overdraft charges, and may be well worth it. A useful message may be that the financial tools of the middle class are not necessarily the right tools for the working poor.

Message should incorporate the vocabulary that they use to describe their experiences and solutions. Some of the phrases that were used in the focus groups were:

"No money to save"

"Live one day at a time"

(Take money out of paycheck) "So you don't even see it"

"She knew what she was talking about"... "someone who has been through it"

"Little things add up"

"Things could be worse"

"Something comes up" (an unexpected expense)

"It's spent before you get it"

Message should also incorporate advice about maintaining a sense of optimism and hope about the future. Presenting elements of a plan that they could customize to their own

situation and resources would be useful to them. They indicated that having a plan in and of itself created hope. But the ability to keep going on a daily basis rests on their ability to hope that the future will be better. Our respondents shared many of their methods of remaining optimistic without making their situation worse. These included giving themselves small “treats” and helping others.

They reacted very positively to the opportunity to share their experiences and stories. They indicated that it helped them to feel less isolated and was also an opportunity to learn tips from the experiences of others. They indicated interest in participating in groups that would meet to learn from each other. Although it might seem that such groups could naturally be organized by local organizations such as churches, the shame factor made that source a bad one. People would prefer to meet with strangers rather than members of their community.

A model might be the National Association of Investors Corporation, which provides a structure for self-organizing clubs that help people to learn how to save and invest in stocks by leveraging the time and efforts of all the members of the group.

Overall, the experiences they shared with us revealed the need for useful advice that can be accessed without much cost and is based on the challenges and solutions of low-income people like themselves. While they may not be able to save now, the advice should address the steps that will lead to the ability to save. It should discuss both money management challenges and personal challenges. On the money management side, important issues include adjusting spending as soon as income drops, working with creditors, learning the value of employment benefits, shopping strategies and accessing public/non-profit programs. On the personal side, equally important issues include methods for maintaining confidence and hope, retaining supportive social relationships and working on financial behavior and goals with other family members. All of these issues and others are currently being learned the hard way, through painful trial and error.

Whether such advice is presented in print/electronic format, or through self-selected mutual support groups, it would bring enormous benefit to a part of the population that is struggling alone day-to-day to keep itself afloat.

The top line reports and summaries included below provide more detail about recruiting, discussion topics, and the findings from each focus group.

TOPLINE REPORTS

TOPLINE REPORT

AARP

Baltimore Low-Income Focus Groups

SITE: Baltimore, Maryland
PROFILE: Age 45-55, Income \$25,000 or less
DATE: August 29, 2006
TIME: 5:30 p.m.
MODERATOR: Ruth Sando, Ph.D.
OBSERVER: Jean Koppen, Jeanne Anthony and Kamili Wilson

BACKGROUND

This focus group was the first in a series of four held in Baltimore, exploring the challenges to saving for low-income women. The AARP and its Foundation contracted the research in order to explore potential messages concerning saving.

It should be noted that the focus group methodology is qualitative and exploratory in nature and is not intended to provide data that can be projected to a stated universe. Focus groups are designed to elicit reactions from participants about particular topics, and to generate new understanding of behavior and attitudes that will help the client to understand a subject area. The output from focus groups also is helpful in developing hypotheses and parameters to be included in a quantitative study.

Recruitment

The respondents for this focus group were required to be between the ages of 45-55, have a total household income at or below \$25,000 with major responsibility for financial decisions, have a least a high school education, and be currently employed or with a partner who is employed. We also wanted a mix of ethnic backgrounds. Because of concerns about their ability to overcome potential problems with transportation, we over-recruited, and were able to obtain a group of 11 respondents. Many of the respondents had raised a family, and all were in households of more than one person. The educational levels in this group varied from 11th grade to graduate school.

Four reported having had major medical expenses, and five had lost a job in the past. Additionally, three were divorced, and one was a widow. Ethnically, they were a mix of African-American and Caucasian.

We asked them to fill out a short questionnaire, although with such a small number, its value is solely in painting a picture of their financial practices. Their responses produced the following information:

- Ten of the eleven have checking accounts, and seven of these check their balances monthly.

- Bills are paid by a variety of methods, including checks, money orders, on-line and cash.
- Four of the eleven do not have a credit card. Of the seven who do, the number of cards ranged from one to six, and two of the seven always carry a balance on their cards.
- Five respondents are homeowners, while the rest rent.
- Six do not have any pension or retirement plan.
- Ten do not do their own taxes, with the largest number of these using a CPA.
- Six turn to family and friends for financial advice.

RESULTS

The responses to the questions posed in the focus groups are presented according to the major topics in the discussion guide. This guide was developed jointly with AARP to produce information necessary to create savings messages targeted at low-income women. Many direct quotes from the taped discussions are included to provide a stronger sense of the way in which respondents' attitudes were expressed.

Decision Making

A number of women in this group had children or grandchildren at home. They ranked their most important expenses as housing, utilities and food. Following those bills, most in the group chose school-related expenses (including clothing, supplies and lunches), and insurance.

Money Management

As soon the discussion turned to methods of paying those bills, respondents presented a variety of money-management strategies arising from insufficient income. These strategies focus on payment form and method, avoiding fees, and controlling the spending of others.

Money orders give them flexibility in holding onto their money as long as possible. These money orders go up to \$500, so they can be used for most of the bills. Another payment method is using the website of the company issuing the bill, and paying on-line. In contrast to paying through one's bank website, respondents indicated that there is no extra fee for paying this way.

Several women expressed a continuing difficulty having two people using a checking account. When the other person has made a purchase, if it is not recorded, they will not know the balance. When there is little financial cushion this can be a big issue, particularly with heavy bank fees for overdraft. To control this problem, some use debit cards. These will not allow the owner to spend more than is in the account, and therefore help to avoid unnecessary expense.

Another issue is the timing of the income they receive, which may not match the timing of bills. Some respondents cope by paying bills in portions, as the money becomes available.

“My problem is I get paid twice a month. First part you pay the mortgage. My utilities come at the 12th of the month, between my first and my second (paycheck), and I have to figure out how I am going to pay that, so that is why I take some of the money from my first (paycheck). When it comes to my second, I try to combine it because I cannot afford to pay it from my first paycheck.

I had to pay late, and then I got a turn off notice. I had to figure out how to pay it. I had to take the money out of my first paycheck and my second, so I could combine it and take the money out. Otherwise I could not do it.”

Change in financial behavior over time

Respondents discussed how they stretch their money, and what they have learned over time that has helped them in this regard. Many had changed their shopping behavior, and now buy clothes and other goods second-hand. Another adjustment was cutting out impulse buying, and being more thoughtful about the necessity for a purchase. Another learning process was becoming more critical of offers for credit cards and loans. Some of the respondents said that as soon as they were in financial difficulty such as going through bankruptcy or paying credit cards late, they found themselves receiving many offers for new cards or loans.

Some had freely spent earlier in their lives when there were two incomes, but had to learn to be thrifty after divorce or a major family illness/disability. Such circumstances force them into different economic conditions to which they have had to adapt.

Others have a free-spending spouse, and have to be as thrifty as possible to mitigate the damage that person is doing to the family budget.

“My husband has flaunted. He has always been ‘live for today, tomorrow forget about it.’ And I have always been one who plans ahead and saves money for this or do this. If he wants to do something, it is right now. Do not make a plan. Why are you going to do it? Do it now, let’s do it when we want to now.”

Many of the respondents were widowed or divorced, and had devastating experiences involving being left with major debt that they had no way of paying.

“(My problem was) Listening to my ex-husband who said, ‘You need this credit card to pay off this other credit card’ and it being in my name because he had bad credit. I added it to my credit card, because I thought is that not what all married people do? And you end up with the bad credit, and who ended up doing bankruptcy? When he left, we were \$42,000 in credit card debt alone not counting the new cars.”

“We have been married 23 years, and we have just charged, charged, and charged. And he had credit cards I did not know about. You know, they’re sneaky like that.

Those who had gone through bankruptcy were then cautious about having and using credit cards, and seemed to be focused on where their money went. Respondents discussed the many methods they had developed to lower their bills. These included

getting rid of land line phones, lowering cell phone plan costs, challenging high utility bills, etc.

“You can go to [store] and learn how to do home plumbing. And if your house is falling apart, there are ways of going to classes for free and learning how to fix it.”

“I sat down and figured out how much I spent on an old car. It was shocking. It is cheaper to get a car that is like a year old.”

“One thing I learned, I will never just hand my finances to someone else. I will always know what my money is.”

Saving/Debt

Savings are accumulated and used at specific points in their lifecycle: home purchase, education expenses, and starting new businesses. There are also purchases along the way that require savings such as new cars, vacations, etc. Unemployment or medical problems can destroy the preparation for these purchases, and wipe out gains made over long periods. It also appears that families are using retirement savings to get through unemployment, and medical crises. Given that they are 10 - 20 years from retirement, their more immediate needs often come first. They do not expect to be able to access social security, and are pessimistic about their ability to retire in general.

Quite a few of the respondents in this focus group had more than 1 job, or earned extra money informally through means such as baby sitting. Because of their constrained cash flow, many indicated that savings had to come from “extra” money, but the income these activities produced often ended up being used in an emergency or for other expenses.

“I work full-time, and part-time. I also go to a flea market. On New Years Eve I will baby-sit; every little bit counts.”

“I delivered newspapers. I worked full time in a library, but in the morning I delivered newspapers. So if a friend called you up and said, “Want to go to the movies,” then you got some extra funny money.”

For those with a 401k, there is difficulty keeping that money through the various crises that they have faced. Again, the crisis may or may not be one in which they had a hand in developing. Women time and again referred to the illness, lose of income, and even death of other family members coming without warning, and having few, if any, resources to respond with.

“I used to do all that, but I had a crisis; it was my mom. She passed away 6 years ago, and unfortunately she did not believe in insurance. The next morning I realized, how am I going to bury my mother? I had no savings account. I had just got a 401K built up where I could borrow money on it. That is where I got some of the money. I had used my bill money. I called everybody to get an extension. She was laid out the next day.”

Challenges

The stress of constant financial challenge meant that these women were vulnerable to other problems, including health. For some, this means putting their faith in God that

things will work out, or at least not get worse. For others, it meant that they had to just focus on taking one day at a time, in order to get through life.

“We invested everything we had in something, and it did not work and it changed both of our careers, which is okay, but when you have to reinvent yourself and then go back, you do not even look back. You put your blinders on. You do not want to say how much debt is there really? Because it will stifle you when you get up in the morning and you do your life.”

“Either sink or swim. If you do not want to do it, then it is not going to get done. You have two kids you have to take care of, you have to keep them fed and clothed. You do not worry about yourself; you make the money and do the best you can.”

The constant worry about bills led some to avoid opening their mail, at least until it had been around for a while. Some did this because it was too depressing to look at, and some because they felt overwhelmed by organizational requirements that they did not have.

“I do not want to do it because I know I owe all this money. I just do not want to open them (bills) up. I do not open it until 3 weeks later; I leave it there and I do not look at it all. Then all of the sudden, I know I have to pay this or I am going to get in trouble. If I do not I am going to have some collectors follow me.”

For some, the shame of being in such dire straits prevents them from sharing their situation with anyone. This led them to an increased sense of isolation.

“Right, you do not want to tell anyone you have no money. I happened to live in a rich community. I would not want anyone to know I have no money.”

Sources of Information

On the whole, these women obtained financial advice from their inner circle of family and very close friends, with one exception – a tax specialist. Those who had their taxes prepared by a professional sometimes indicated that they sought advice from him/her. There were some who watched TV shows about finances and felt they learned valuable information that way. But there was no indication that the advice received had provided more than piecemeal solutions.

“I would love someone to fall from the sky and say, “This is what you need to do with your life and your money.”

The idea of approaching a professional financial advisor created several problems in their minds. The first is that they would be talking to someone who had theoretical knowledge of their problems, but not a full understanding. Second, there would be a fee for the service. A final issue would be whether the service is a scam in which their privacy would be compromised.

“Talking to a professional? I would rather talk to somebody who had been through it.”

“I would talk to a professional if I knew what that entailed. There is obviously a fee to talk to someone and if there is not, there has to be something. That is why a professional to me is out of my reach.”

“They say on TV if you have any problems financially call this number. But sometimes I am scared, because I do not know what I am getting involved in. ...They are going to ask you questions, and you just do not want to relate information you do not want to give out.

Plus, it is the telephone, so you do not even know who you are talking to.”

Message Test

The first of the stories that they read contained some situations that they related to, such as bankruptcy and disability. For some, the story format also resonated. There was disagreement about whether they themselves would go to a financial advisor, for some because the advisor would be speaking from a theoretical perspective and for others because they assumed they would have to pay.

“I would not read where it says how to reach a financial planner. For me, that is someone who is going to be paid. “

When asked if having a tax refund sent directly to savings would be of interest to them, they did not treat it as a new idea. For many this income would go directly to bills, while others save at least a portion.

TOPLINE REPORT

AARP

Baltimore Low-Income Focus Groups

SITE: Baltimore, Maryland
PROFILE: Age 56-65, Income \$25,000 or less
DATE: August 29, 2006
TIME: 7:30 p.m.
MODERATOR: Ruth Sando, Ph.D.
OBSERVER: Jean Koppen, Jeanne Anthony and Kamili Wilson

BACKGROUND

This focus group was the second in a series of four held in Baltimore, exploring the challenges to saving for low-income women. AARP and its Foundation contracted the research in order to explore potential messages concerning saving.

It should be noted that the focus group methodology is qualitative and exploratory in nature and is not intended to provide data that can be projected to a stated universe. Focus groups are designed to elicit reactions from participants about particular topics, and to generate new understanding of behavior and attitudes that will help the client to understand a subject area. The output from focus groups also is helpful in developing hypotheses and parameters to be included in a quantitative study.

Recruitment

The respondents for this focus group were between the ages of 56-65, had a total household income at or below \$25,000 with major responsibility for financial decisions. Because of concerns about their ability to overcome potential problems with transportation, we over-recruited and were able to obtain a full group of 10 respondents. Ethnically, they were a mix of Caucasian and African-American, and four of them were living alone after having raised a family. Educational levels ranged from high school to college graduate with additional credits. Two were widows, and three were divorced, or had taken a "leave of absence" from their husband. One person in this group had experienced major medical expenses in the past three years, and three had lost jobs in the past.

We asked them to fill out a short questionnaire, although with such a small number, its value is solely in painting a picture of their financial practices. Their responses produced the following information:

- Nearly all (nine) have a checking account. Three of these never check their balance while the rest check monthly or several times a year.
- Seven have credit cards, ranging from one to ten in number. Only one of these always has a balance carried over from month to month.
- Six of the ten own a home with a mortgage. The rest rent.

- Six have no type of pension or retirement plan.
- Five indicated that they have no benefits (there were a number of self-employed people in the group). Four have some health insurance, and three have dental insurance, life insurance and prescription coverage.
- Three do their own taxes. Four of the ten go to a CPA for tax preparation.
- Half go to a family member or friend for financial advice, two use a CPA and three go to a bank.

RESULTS

The responses to the questions posed in the focus groups are presented according to the major topics in the discussion guide. This guide was developed jointly with AARP, to produce information necessary to create savings messages targeted at low-income women. Many direct quotes from the taped discussions are included to provide a stronger sense of the way in which respondents' attitudes were expressed.

Money Management

Many of these women live paycheck to paycheck. This means that each month they are essentially starting from zero. The timing of their income and the deadline for various bills is a source of stress. The method of payment is often based on the relationship between cash flow and the payment deadline.

“The middle of the month is the food and local stuff—the telephone and stuff like that, but a mortgage payment is first of the month. They want their money on the first of the month, so that’s the wire gram. In between the gas and electric is the money orders or cash. I go to a check place and pay by cash.”

Since nearly all of them have a checking account, many of their bills are paid by check. For those who are not good in managing their money, debit cards are popular instruments because there is no possibility of spending more than is in the account, and accruing fees. One woman had used a prepaid debit card for the past year. This is a debit card with no credit check or bank account required. She found that it was a useful method because she could not over-spend. In her case, not only had she piled up debt and fees with her credit card, but also her card number was stolen. After that she cut up her card, and began using the prepaid debit card exclusively.

On-line payments are also helpful in that it is possible to confirm that the money is available before making the payment. In all cases, when a couple is using one account, unless they have the same financial behavior, someone may end up unhappy or confused over the status of the account.

“ATM cards just drove me crazy. I didn’t know what he was doing. He didn’t know what I was doing.”

Some found that banks were not interested in their business because they may work part-time. They felt *“ostracized because you’re older and you’re not working forty hours a week.”*

Changes in Financial Behavior Over Time

Half of the group was widowed or divorced. This change in lifestyle was generally negative, particularly from an economic perspective.

“I was more secure when I was in my marriage because there was a second income coming in, and then, after we divorced, I found that I had to maintain everything without that second income, and it was more juggling bills. It wasn’t that I didn’t have the money, but I had to learn all over what to pay, when to pay it, when to wait.”

“I learned pretty fast. When your husband dies, and he did everything, you learn on the spot pretty darn quick. You have to.”

“In many cases, particularly in situations years ago the husband did all the books and paid all the bills and what not, and the wife never had to do that. It was almost like you were blindfolded and didn’t get to do it. Because of the fact that women tend to live longer than men, you’re hit in the face with trying to do that.”

Job loss was another change that could be catastrophic, especially a series of losses.

“For years, I worked and made very good money. I was an administrator of programs and, after being laid off five times, I said I’m not playing this game anymore. I’m not getting laid off again, so I decided I wasn’t going back in the corporate world. I didn’t have the experience of losing a spouse who was paying bills, but now, all of a sudden, I have to manage my money differently because I don’t have as much.”

In other cases, they acquired debt with marriage.

“... When I married him, I got him, his dog, his canary, and his credit cards. My house was already paid for, but that put me into a big hole with a twenty-five thousand dollar debt.”

These older women felt that they had gained confidence with age. They are less afraid to admit mistakes or problems than they would have been years earlier. And they are more likely to ask questions and to challenge others. They’ve learned to have priorities and not to “splurge” as they used to. Those who were self-employed or married to men who are self-employed were generally without health insurance, and therefore greatly concerned about current and future illnesses. At this age, they had experienced some problems already. Furthermore, they found that the co-pays and costs of medicine were “always going up.”

Asked about others who they felt inspired them, one woman mentioned her best friend, a widow who took a class at a community college, from which she attributed her great skill in managing money. However this respondent had never followed her example, although she found it impressive. She just repeated several times, “I need to take that course.”

Savings and Debt

Some had found it helpful to write down where their money was spent and then take steps to cut out unnecessary purchases. One woman ended up cutting her own and her husband's hair after seeing the cost for that job alone.

"I'm starting to cut back on that, but I had to put it down on paper to see where all the money was going."

Rising adjustable rates and fees compound credit card debt. Soon the balance is even larger.

"Yes, I've learned. I see a lamp that I like, of course, I can take my credit card, but the lamp costs may be one hundred and fifty dollars. I can wait until I have that one hundred and fifty dollars to go get that lamp. I don't have to worry about a payment on a credit card."

As a result some have given up their credit cards, or changed the way they use them. One had gone to using a pre-paid card, because she knew she could not go over the limit. For one woman who paid off all her credit cards by putting the balance on a new card, she knew it didn't lower the debt, but *"At least I don't have all the bills coming in and feel all overwhelmed."*

Some practice small saving behavior such as putting change away or having yard sales. But even with saving change, they were unhappy that banks now charge for exchanging it into bills. This was another example of bank fees that worked against their goals. Many remembered Christmas accounts and even green stamps. *"It made you feel like you were earning something."*

Saving was problematic and often was only for an emergency.

"I don't make enough money to invest in anything because every penny counts. The simplest thing to me, in order to have money, I take a percentage out of my check every week and it works."

"I used to do that every time I got a raise. I would put the money immediately in a credit union, so I never saw the raise."

Over half of the people in the group did not have a pension or retirement account of any kind. Several were developing an alternate strategy. They were repositioning themselves out of work that was too stressful or physically demanding to jobs that they believed would be manageable into their old age.

One of the reasons, when I was laid off the last time, I decided to start my own business was because the kind of work that I was doing, the level of intensity was so high that I knew I couldn't continue to do it into my seventies. By starting the business and doing coaching and organizing, I think it's something that I can do for a longer period of time, so I will be able to continue to generate income that I wouldn't be able to generate if I were back in the health care world."

Challenges

Much of the discussion was really about their acquisition of self-discipline in financial matters over time, or finding tools that made such discipline easier. They all thought that the temptations for impulsive spending were greater for them than it had been for their parents, and that credit card companies, in particular, have become predatory in their marketing to younger people.

Layered on top of this trend are the financial insecurity of the job market, and the enormous liability of health care costs. For the working poor, these challenges cannot be effectively addressed. One woman explained how her income had declined over time through job loss.

“I work at [X] Nursing Home and I just started. I lost a job after six years of working and I also lost one after thirteen years. I’m back into housekeeping work. I did go to school. I did graduate. I did do four years of college. Now, I’m back down on a low totem pole trying to work my way up. I did take a course, which I passed the state test, to do DNA, but that isn’t what I want. I took it because I had to take care of mom before she died. She stayed with me for three years until she died, so I had to go back in the work world and try to find my way back, so I found my way back, lost the job, and came back to where I am now at [X] Retirement Community. My goal - I don’t even know what it is anymore.”

Sources of Information

These women indicated that it is best if you can make decisions on your own. But if you need advice or assistance, it is wise to be very careful about where it comes from. They are not interested in professional advice that must be paid for. Even classes that seem unbiased may be run by professionals, and can end up costing something.

“Be very careful with financial advisors because they definitely don’t always look out for your best interest.”

Their cynicism extended to programs run by non-profits and churches.

“One of the things that I’ve seen with non-profits that are increasing is their offering programs. This is a big thing right now. They offer a program for financial planning because they want you to leave them in your will, so they’re offering all of these programs. Come to this program or this training and when you’re writing your will, please keep us in mind.”

While they did not seem to be reaching out for advice, some felt that networking was a good way to get advice. In reality, articles in magazines, and especially advice from a celebrity or a television show seemed to be the most credible to these women and met their requirement that it be free.

“You can get free advice from [television show] every Saturday night.”

Message Test

Their reactions to the stories in the AARP Bulletin were fairly consistent. They liked the story format, but were dissatisfied with the amount of information given. They would have preferred a step-by-step discussion of what the possibilities were, what was tried, what failed, and what succeeded. Their expectation was that realistically, some of the attempts would fail.

“To me it’s over simplified. I like the story. I like hearing what the history is, but then you have the sentence we’re going to restructure this and blah, blah, blah. It was just too little.”

“For me, it didn’t have any credibility. It’s like give me more information as to what you looked at, how you came to that decision, and how that’s going to solve the problem, but just to put a sentence saying you just do this and everything is all better.”

“Give me some steps to get there, rather than just say the bottom line is this. How do you get from this to the bottom line?”

“Why would I choose this one over this one? What makes this one not a good choice?”

The idea of having your tax return go directly into an account was familiar to them. In fact two women indicated that they already practiced this method.

The credit card that rounded up the charge and deposited it to savings was also familiar to them. They did indicate that they thought it was a good idea, although no one seemed to have such a card.

One woman mentioned her preference for obtaining useful and credible information –

“I think women who have common sense need to network and talk to each other about what we need to do.”

In fact, the groups all seemed to enjoy sharing their experiences and tips, and commented at how unusual it was. Because of their struggle with their personal problems, some of which they ascribed to their own “bad behavior” it is rare that they tell others, and only share their stories with those people in their inner circle. This means that the resources they have are limited. Information in the public domain and that is provided commercially is suspect since there may be a self-serving motive. It would appear that to be effective, messages have to overcome this cynicism, distrust, and fear of blame.

TOPLINE REPORT

AARP

Baltimore Low-Income Focus Groups

SITE: Baltimore, Maryland
PROFILE: Age 45-55, Income \$25,000 or less
DATE: August 30, 2006
TIME: 5:30 p.m.
MODERATOR: Ruth Sando, Ph.D.
OBSERVER: Jean Koppen, Jeanne Anthony, Deb Briceland-Betts, Sue Miler and Robin Talbert

BACKGROUND

This focus group was the third in a series of four held in Baltimore, exploring the challenges to saving for low-income women. AARP and its Foundation contracted the research in order to explore potential messages concerning saving.

It should be noted that the focus group methodology is qualitative and exploratory in nature and is not intended to provide data that can be projected to a stated universe. Focus groups are designed to elicit reactions from participants about particular topics, and to generate new understanding of behavior and attitudes that will help the client to understand a subject area. The output from focus groups also is helpful in developing hypotheses and parameters to be included in a quantitative study.

Recruitment

The respondents for this focus group were between the ages of 45-55, had a total household income at or below \$25,000 with major responsibility for financial decisions. This group contained ten women. Ethnically, they were a mix of Caucasian and African-American, and all but three had more than one person in the household dependant on that income. All had a high school education, and were employed. This group produced one who had major medical expenses in the past three years, and five who had lost jobs in the past.

We asked them to fill out a short questionnaire, although with such a small number, its value is solely in painting a picture of their financial practices. Their responses produced the following information:

- Half have a checking account, but over half of those never look at their balance.
- Those without a checking account pay bills with money orders.
- Six of the ten have credit cards, ranging from one to five in number, most carrying a balance from month to month.
- Three of the ten own a home with a mortgage. The rest rent.
- Only half have some sort of retirement plan.

- Eight of the ten have some health insurance, and eight also have someone else do their taxes.
- Seven go to a family member or friend for financial advice, two use a CPA, and one stated emphatically that she has no one.

RESULTS

The responses to the questions posed in the focus groups are presented according to the major topics in the discussion guide. This guide was developed jointly with AARP, to produce the information necessary to create savings messages targeted at low-income women, and to work well with the data that will be produced by the quantitative research. Many direct quotes from the taped discussions are included to provide a stronger sense of the way in which respondents' attitudes were expressed.

Decision Making

A number of women in this group had children or grandchildren at home. They ranked their most important expenses as housing, utilities, and transportation expenses. Following those bills, most in the group chose credit card payments, medical expenses, and school-related expenses.

Money Management

Some of these women do not have checking accounts, savings accounts, or credit cards. How do they pay their bills? One woman described how she handles her income and expenses, explaining that she handled all her financial needs at her grocery store. She cashes her paycheck there for \$0.69 and obtains free money orders and a book of stamps to pay her bills. Others have found check cashing services that offer free money orders.

Respondents used a variety of methods to pay their bills – check, direct debit over the phone, on-line, cash, debit cards and/or money orders. Some of these methods (paying over the phone and money orders) may have fees connected with them. The trade off is that it allows these women to pay as close to the due date as possible – an important feature for someone with cash flow problems.

Of those with bank accounts, some have checking accounts, while others have only savings accounts. There is difficulty in managing checking accounts for some, due to the need to keep a record of expenditures, the fees, minimum balance requirements, or bad experiences.

“I just don’t have the money to have the checking account. It just appears to be that way all of the time.”

“They have all these hidden charges I forget about, you know, and I think I have it here and there, and then I start writing checks and I get all screwed up, so I, like Pam, go and get my money orders from the liquor store or from the grocery store and then mail them off monthly.”

“I can balance, but it’s these weird little fees, or it didn’t get there at this time or that time or I’m paying double or triple, so I just pay everything by money order.”

Most indicated that their own parents were either frugal or had more money, and they grew up seeing their parents pay bills with cash or checks. Now money orders seem to have grown in popularity. But these women also indicated that their parents didn’t face some of the big problems they face today. One of the biggest was divorce, which left them with economic insecurity that was an even bigger challenge if they were not brought up to be or did not expect to be the money manager. Another big challenge is managing credit cards.

“She would never, ever charge something she couldn’t pay for. Until this day, she is eighty-seven years old; she would never think to do that. She thinks the way we live is horrendous. How do you live like that? To her it’s a horror.”

Interestingly, quite a few knew their credit score. Their understanding of how credit scores operate and how they are used came from shows on television (PBS and Suzy Orman were mentioned) and family members.

Changes in Financial Behavior over Time

A number of them had learned how much little purchases add up to, including bottled water, soda, and ice. One woman related that she had not quit smoking, even after being diagnosed with lung cancer, until she added up how much she spent in a year on cigarettes. Then she stopped cold turkey.

When asked about the advice they are giving their children, it centered on education. While everyone in the group had at least some high school education, and they have the middle-class belief that education is the route to success. At the same time, even with the example of their parents in front of them, their children sometimes have to “learn the hard way.” Several of the respondents had children who already were in financial difficulty.

“I’ve tried everything. I think she’s finally getting to understand it because she is not going out and spending any more money. I think she’s finally noticed that she has to pay these bills because she never will be able to get a home for herself, or you know, stand on her own two feet.”

In terms of their own experiences, respondents believe there was a significant difference between their early financial behavior and their current behavior. When young, they “didn’t care” about insurance or saving. But financial difficulties have caused some, but not all, to become more conservative.

“I had to hit rock bottom to come back up to realize my potential and what I can do.”

“I never thought about life insurance or health insurance and all that. Then, when I was in between jobs, I wouldn’t even go on an interview unless they offered health benefits.”

The discussion about “hitting bottom” led them to explain that money, or more specifically the lack of money, can turn spending into an addiction. They compared it to alcohol or gambling.

“I think money is an addiction, so people do have an addiction to it.”

“Right, and when you get it, you go nutso with it, you know?”

Some play bingo, go to the casino, or buy the lottery cards.

“Well, right now, I’m addicted to the scratch offs. I like the two-dollar bingos. I love them things, so I usually buy one a day, which costs me fifteen dollars a week now.”

“I need money this week for the car, or this, and you get into that and sometimes you don’t win.”

Savings & Debt

The relationship between the goal of saving and the tendency to overspend was expressed by one woman who said,

“It’s just so important to put money away for retirement, but there are times when you need it now because maybe you did make some mistakes. That’s why you spent too much money that you didn’t have because you’re miserably unhappy with your job and you compensate by spending.”

In terms of saving, few had money taken directly out of their paycheck to go into savings. Most were not able to save unless some money was left over at the end of the month. Extra money, such as a tax refund generally was used for periodic expenses such as property taxes or vacation. Otherwise extra income would be spent, or in some cases saved for emergencies.

Strategies to obtain extra income included a second, part-time job and working overtime. The only other method mentioned by this group was yard sales. They seemed to have a lot of thoughts about how they could earn extra money or get re-trained, but it was all in the future.

Even a small amount of saving for the future is problematic. One woman had cut up her credit cards, and was paying off the balances as a prelude to saving. To most, saving is a future goal, one that will be attainable if they can work through their current problems.

“My big financial goal in the future was to invest in me. I think that is the most I’ve learned from all of these mistakes now that it is the greatest investment is in you.

“I really have not given it much thought. I’m just trying to make it. Once I turn fifty, okay, here I am. It’s really not that far away. What I’m going to get from my job I will not be able to survive on. I have no 401K, no savings...”

“I was trying to pay off the credit cards and try to save a little before retirement because people are living longer, but we don’t retire as early. I’ll probably work until I’m eighty.”

Challenges

Since marriage joins a couple economically, divorce has significant economic repercussions for both parties, but especially for women who are often paid less and have fewer resources. Some experienced a virtual free-fall in lifestyle.

“I, honestly, when I was married to him, had a good life. He had a good job. He made good money. We went on lots of trips. We did a lot of things. We had a nice house, and

nice cars. We did everything. It's an adjustment for me. It's not any for him because he still makes plenty of money it's just that I don't get as much as I really should."

The distress caused by divorce at an older age has led some of them to financial behavior that only worsened their problems. Spending to compensate for depression is one of the problems. Another is finding solutions only in fantasy.

"You're okay until the bills come and then you get distressed and you want to spend, and it's like this circle."

"I want to look up a millionaire and say does anyone adopt or help you out or call up [celebrity] or something. I guess the focus, because I refinance all the time, and the house I started paying forty-three thousand, and I'm now at one hundred and fifty thousand, you know, for that same house, and it's ridiculous. You're single and there's no other income coming in and you have health issues."

While they would like more financial independence, the goal of getting a better job is not one they feel is realistic. They are "stuck" in their current jobs and unable to change because of insurance or the inability to find something they can do. Some want to go back to school but can't afford it. They expressed a feeling that they are less and less capable of doing anything else.

Sources of Information

Women stick fairly close to home in looking for financial advice. Most of the advice they receive comes from family and friends. Outside of that close circle, the professional who may provide help tends to be a tax advisor or CPA.

Advice that is generic in nature is believed to be good, but can't always be followed when "your back is against the wall," or "you get desperate." In those cases, they fully understand that actions such as taking money out of a 401k are a bad idea, but they believe that they have no choice.

"It's not that the advice they've given you is bad, but sometimes it just doesn't work. The advice is good, but depending on your situation, you can't apply it to what's going on with you."

One reason for not seeking more widely for advice and assistance is that financial matters are considered private, as they are in the rest of our society. However, for these women, such a belief may leave them with little in the way of resources.

"I'm very private about my salary. I'm very protective of it. It's nobody's business but mine."

"I feel that's my business. That's my personal business. It's no one else's business. You know?"

Message Test

They read the two stories in the AARP bulletin. They related to the medical problems recounted in one story, and the lack of retirement savings in the other. They also found that the financial plan given at the end communicated the message, "never give up."

“I like the plan. I like how the agents put it all like that and then they went through it. You have a plan to look forward to...a goal”.

The stories also brought out an issue that they were dealing with in their lives – the isolation of their situations. Just reading a story about someone with similar problems was helpful to them.

“I think, sometimes, it makes you feel like you’re not alone. I think, when you’re in these situations, you feel very alone like you’re the only person because people don’t discuss this with other people.

“You’re embarrassed and you don’t discuss it. You feel very alone and you tend to keep to yourself. I just think reading that makes you really see. Even being here, you see... There are other people with the same problems that you have. It’s not just you.”

We tested the idea of having a financial arrangement for tax refunds to go automatically into a bank account. It was viewed positively, mainly because it would not be touched and you would not have control over it going into the account and would not be very aware of it. In the end, some felt that it would be impossible to save it because there is always something that is needed.

“I guess this is really a downside for me, if it’s in an account, I know it’s there, and it’s as soon something happens, and if I know it’s the only place I can go I’m going to go there.

The idea of a credit card that rounded up the charged amount and moved the difference to savings was not an exciting idea. Some had seen this and found that there was a minimum balance required.

“There’s just so much stuff that works against everything that you try to do. Like that, it would work for some of us, but then it comes along and there’s a penalty. It’s not working for you; it’s working for them.”

TOPLINE REPORT

AARP

Baltimore Low-Income Focus Groups

SITE: Baltimore, Maryland
PROFILE: Age 56-65, Income \$25,000 or less
DATE: August 30, 2006
TIME: 7:30 p.m.
MODERATOR: Ruth Sando, Ph.D.
OBSERVER: Jean Koppen, Jeanne Anthony, Deb Briceland-Betts, Sue Miler and Robin Talbert

BACKGROUND

This focus group was the last in a series of four held in Baltimore exploring the challenges to saving for low-income women. AARP and its Foundation contracted the research in order to explore potential messages concerning saving.

It should be noted that the focus group methodology is qualitative and exploratory in nature and is not intended to provide data that can be projected to a stated universe. Focus groups are designed to elicit reactions from participants about particular topics, and to generate new understanding of behavior and attitudes that will help the client to understand a subject area. The output from focus groups also is helpful in developing hypotheses and parameters to be included in a quantitative study.

Recruitment

The respondents for this focus group were between the ages of 56-65, had a total household income at or below \$25,000 with major responsibility for financial decisions. Because of concerns about their ability to overcome potential problems with transportation, we over-recruited, and were able to obtain a full group of 10 respondents. Ethnically, they were a mix of Caucasian and African-American, and six of them were living alone after having raised a family. Educational levels ranged from high school to college graduate. Three were widows, and four were divorced. No one in this group had experienced major medical expenses in the past three years, but six had lost jobs in the past.

We asked them to fill out a short questionnaire, although with such a small number, its value is solely in painting a picture of their financial practices. Their responses produced the following information:

- Nearly all (nine) have a checking account. Three of these never check their balance while the rest check monthly or several times a year.
- Half of the group have credit cards, ranging from one to five in number. Two of these always have a balance carried over from month to month.
- Four of the ten own a home with a mortgage. The rest rent.

- Seven have some sort of retirement plan.
- Nearly all (nine) have some health insurance, and the majority also have dental insurance, life insurance and prescription coverage.
- None do their own taxes. Eight of the ten go to a CPA for tax preparation.
- Half go to a family member or friend for financial advice, two use a CPA, two go to a bank and one has no advisor.

RESULTS

The responses to the questions posed in the focus groups are presented according to the major topics in the discussion guide. This guide was developed jointly with AARP, to produce information necessary to create savings messages targeted at low-income women. Many direct quotes from the taped discussions are included to provide a stronger sense of the way in which respondents' attitudes were expressed.

Decision Making

A number of women in this group had children or grandchildren at home. The top three expenses were housing, utilities, and transportation expenses. Following those bills, most in the group chose food, insurance and phone.

Money Management

Of those who had checking accounts, most made it a practice to balance it. Those who used on-line banking found that the need for balancing was not as great.

"I don't do a lot of the balancing or anything like that. I'm like Carole, I'm kind of like in the ballpark, and as Estelle says, I can go online and check my balance and see if a check cleared and stuff like that. They'll have my balances from my checking account, savings, and you can also go into recent activity and see if a check cleared. So I do that in the meantime. I don't physically do a lot of checkbook balancing."

For the most part, they believe that they are not as frugal as their parents in handling money, but times were different then. Their parents generally paid by check or cash, using some sort of an envelope system for different bills. The biggest difference for them now is credit cards, which make it "a little too easy to get things."

"Yeah, because there's nothing, at the end, there's nothing to put away in a savings account. It's not there to do. I'm not poverty stricken, I can meet my expenses, but there's nothing going into that little savings account."

Some of their mothers were the family money managers, but others had no responsibility for money at all, which became a problem when their husbands died.

One of the respondents had taken out a reverse mortgage on her home and was very happy with the effect on her cash flow. Another had refinanced. A third, whose household income was based on a family-owned construction company, uses a home equity line of credit when their income is insufficient.

Changes in Financial Behavior Over Time

It appears that the most significant changes in their financial behavior are due to being widowed or divorced and older.

“I think it was easier to save, too, when there was more than one person in the household. Because now, I can’t speak for everyone, but now I have expenses that there’s no way I can get around. One of the things, and I’m surprised no one has touched on it yet, is medication. I work full time, I have what I would consider to be a relatively good healthcare system, but I got three prescriptions filled the other day, it was \$276 and change. And I take 9 prescriptions.”

“Because of the long marriage, and having to go to one income and the household already being retired. And divorced at 58, it’s not time to really get back in there if you haven’t worked in years full time.”

In her description of her financial history, one woman perfectly captured the downward spiral caused by job loss, pension loss, and declining wages.

“I’m 57, and getting different jobs makes a difference. When my husband died, he had 27 years on the same job. So he could have had, I could have had a full pension. Now the company was 10 years under one name, then they sold to another company, they didn’t carry the pension plan over. The secretary was ... ready to send me the pension, some nice number, and they said, what are you doing? So I get \$57 from my husband’s pension. That’s all I get from his 26 years on the same job. So then I was working at a nice job, it was only paying \$10 an hour, but I was on a roll. That company folded. Then I went to Rite-Aid. That was paying \$14 an hour. But they beat me to death. I was 16 years I didn’t walk out of a place. They threw my hip out. Now I’m in the school system, I’m an inclusion helper. I help the special ed kids. I make \$8 an hour. I don’t work in the summer; you don’t collect unemployment in the summertime. Then I had a VA pension, because my husband was a veteran, when I hit that \$6,000 that stopped. So this summer, you talk about trying to get bills paid, it was awful.”

Savings and Debt

Debt is sometimes an outcome of the financial mistakes of another family member. Two women in this group discussed debt arising from student loans. One had taken out loans for her daughter and was paying off those, while another had a growing balance on an old loan of her own.

In spite of their need, there is a real reluctant to ask for help. They prefer to soldier on, even when it is clearly not the wisest path.

“I don’t care how bad it gets for me, some people it’s easy to do that, but the only thing my mind says, it could be worse. There’s other people worse than you. And let’s wait. Let’s see if I can do one more month of something.”

“It gets so mentally tiring juggling all this in your head.”

“My back’s to the wall. I’ve cut back, I don’t have anywhere to cut.”

Because of their own fortitude they look down on people who get help but “don’t deserve it.”

“Everybody runs for social service. They got a group of people that can work just as hard as we do and they sit back and don’t work and get a check every day.”

Overwhelmed as they are by their current financial challenges, the most they can save is a small, temporary nest egg. Retirement scares them. As in the other groups, some said they would have to work forever. They also have in front of them examples of others who retired, only to quickly have to go back to work.

“...do you know how many people retired and had to go back to work? And they were people that had, the like gas and electric workers, telephone workers, I know so many men in that little town where I live, they had to go back to work. Some went back full time. They started off with part time. They said, I’m just doing a few little things to keep busy so I won’t get old, you know? They go back to the same jobs and things. That’s scary.”

“My brother in law is 72, he worked at [company], but they cut out the health plan every year. He had to go back to work just to pay for the medical insurance.”

Message Test

They found the first story to be only “somewhat realistic.” It wasn’t clear to them what caused the crisis that led to the bankruptcy, or what their expenses are. With that information they would better be able to see what could be cut back.

“I don’t know what their problem is.”

“She puts in \$142 a month, and her employer is going to match it. That’s a lot to put away.”

The second story was also unsatisfactory to them. They thought paying off credit card debt over time was a much better solution than taking out another mortgage. Several of them had following that path themselves. What did resonate were the divorce and the idea that she might have to work forever.

“I wouldn’t want a second mortgage debt to pay off my credit card. That I couldn’t do.”

“She likes to spend. Actually, whenever there’s stories like this, individual stories or testimonies, I never read them. I never, ever read them. Because I usually don’t identify with them, it doesn’t help me. I’d go more with the articles, the tips on how to do things. But I very seldom read these stories.”

“This seems like she brought a lot of this to herself. And I don’t mean to be disrespectful, but if you’ve got two jobs, and you’ve got that much credit card debt, and you’ve only got \$40,000 equity in your home, and you’re going out a lot, and you’re buying a lot of clothes, and you’re spending money, it just seems, like Elaine said, those are fixable. If she wanted to fix it.”

What they do like to see in articles are positive steps and a positive tone.

“I think everybody needs to be optimistic and be able to feel like they can do it. And if they feel like they can do it, they’ll be more to me, more receptive to suggestions and more receptive to getting out there and looking for what they need to do. They have hope.”

Some were familiar with the idea of a credit card that rounds up the charge and moves it to savings, and had enrolled.

“They save the change at my bank, so I do mine periodically. But save the change is where you use your check card and you round up to the dollar amount. You use your bank card and say you buy something it’s \$13.01. Well, I round it up to \$14, and 99 cents goes into my savings account. At the end of the year comes, if I save \$100, they match it.”

Having the tax refund go automatically into a savings account did not produce much interest. Several of the homeowners indicated that refunds are used to pay property taxes.

TOPLINE REPORT

AARP
Houston Low-Income Focus Groups

SITE: Houston, Texas
PROFILE: Age 45-55, Income \$25,000 or less
DATE: September 6, 2006
TIME: 5:30 p.m.
MODERATOR: Ruth Sando, Ph.D.
OBSERVER: Jean Koppen, Jeanne Anthony

BACKGROUND

This focus group was the first in a series of four held in Houston exploring the challenges to saving for low-income women. AARP and its Foundation contracted the research in order to explore potential messages concerning saving.

It should be noted that the focus group methodology is qualitative and exploratory in nature and is not intended to provide data that can be projected to a stated universe. Focus groups are designed to elicit reactions from participants about particular topics, and to generate new understanding of behavior and attitudes that will help the client to understand a subject area. The output from focus groups also is helpful in developing hypotheses and parameters to be included in a quantitative study.

Recruitment

The respondents for this focus group were required to be between the ages of 45-55, have a total household income at or below \$25,000 with major responsibility for financial decisions, have a least a high school education, and be currently employed or with a partner who is employed. We also wanted a mix of ethnic backgrounds. We were able to obtain a group of 10 respondents. Many of the respondents had raised a family, and six were in households of more than one person. The educational levels in this group varied from high school to college graduate.

Eight of the ten reported having had major medical expenses, and six had lost a job in the past. Additionally, four were divorced, four were married, and two were single. Ethnically, they were a mix of Hispanic (5) and Caucasian (5).

We asked them to fill out a short questionnaire, although with such a small number, its value is solely in painting a picture of their financial practices. Their responses produced the following information:

- Seven of the ten have checking accounts, and five of these check their balances monthly.

- Bills are paid by checks and money orders.
- Nine of the ten have a credit card. Nearly all reported having only one card, and five of the respondents always carry a balance on their cards.
- Only three respondents are homeowners, while the rest rent.
- Nine do not have any pension or retirement plan.
- Eight do not do their own taxes, with the largest number of these using a CPA.
- Seven turn to family and friends for financial advice.

RESULTS

Decision Making

Most people in this group lived in one and two-person households. They ranked their most important expenses as utilities, housing, and groceries. Following that, their priorities were gas, medicine, and car payments.

Money Management

Seven of the respondents have checking accounts. They pay bills by check, money order, and debit card. The price of the money orders ranged from free to \$5.00. The most expensive money order mentioned was purchased through a bank.

Several women had given up their checking accounts. Some women were also very concerned about security, and would not bank on-line for fear of fraud or theft.

“I’m not good with it. I’ve had problems with it and have just really paid so much that it wasn’t worth it.”

“I used to do (as) she did because I worked so many different part time jobs and I wasn’t good at a bank account. One time, I will never forget, a pair of panty hose ended up costing me \$25 because I didn’t put enough money in the bank when I wrote for them. So by the time the drugstore got the check and on down and so I said no, I’m not going to do this anymore.

“For me the debit helps because I can control what I’m doing.”

“...I don’t like banks and I don’t like to take checks from them because they do charge you a fee...”

Many thought that credit cards were irresistible to their teenage and adult offspring, at least into their twenties.

“They will say oh yes I will be responsible and I’ll only do it for this and I’ll only do it for that and then they get in the car with their girlfriends, and say come on let’s go. I have a credit card.”

Seven also indicated that they use a budget. Some had learned how to budget from their family or in school, while others only started budgeting when their income declined.

Respondents have found many areas to economize. Expenses that are cut back involve going out for food or entertainment at one level, to cutting back on necessary medicines

on another. Many use the air-conditioning less or turn it off completely. They buy at thrift stores, and use a variety of thrifty practices.

“I break out the Mexican food... beans and rice.”

“I am really good at getting bargains. I’m really good about that. I know where to get them and I know where they are so I try to buy a little bit at a time like for Christmas. Otherwise I put it back so that there is no way I would get it if I didn’t do that.”

Some have taken on part-time jobs for extra income. One helps elderly people downsize their homes, and another does housecleaning.

Change in financial behavior over time

Sometimes, they find it difficult to manage their cash flow because bills will be processed faster than their paychecks.

“There is a trick to that I learned it because we had a similar situation that if you go in there and you tell them... you want to cash your check first and then deposit it.”

“The point is that it’s your money. You should feel secure that when you go and deposit the money it’s there.”

Problems with credit card debt have made them feel negative about credit cards, and many had cut back on the number of cards that they have and their use of those cards. Some of them know about credit scores but are afraid to find out what theirs is.

When asked about what they would do differently if they were able to do things over again, they indicated that being prepared for better paying jobs would have been one change, but they balanced that by indicating that they have seen so much job disruption that that might not have made a difference.

“Job stability is nothing.”

“My husband and his job, he was there for seventeen years and got laid off. He got laid off on the 13th of April and by the 16th I was in the hospital because on the 31st our insurance was going to be up. I had quadruple bypass surgery.”

“They contract people out so they don’t have to pay benefits or they start cutting people down from forty hours a week to twenty hours.”

Some had gone down the economic ladder over the years. Whereas they used to be able to save and to meet their expenses, now they are in very different circumstances. So they believe that it isn’t that they don’t know what to do, they just don’t have enough to do it.

Saving/Debt

Several of the respondents saved by using automatic deposit, with automatic withdrawal of a specific amount going regularly to savings. One was able to start this practice after receiving an inheritance.

One women indicated that she really wanted to start saving for retirement, but hadn't been able to. Nine of the ten have no 401k or pension through work. Several had used up previous 401k savings during family crises.

"When my husband got laid off we went through out savings, our 401K, the severance pay and I mean he was without a job for two and a half years.

"We are going to work until we are a hundred years old."

"But what I'm saying is that I don't feel like I can afford it with utilities, the mortgage, the groceries, the gas. I mean it's taken every penny."

"I always tried with this paycheck to say this amount is going to this and what I would have left over is what I used to go out to dinner or whatever and I don't ever have anything left over. In fact, I'm dipping into the next one to help pay for this one."

"- So your question is would I have done anything different? I think I did pretty darn good. I didn't give up. But I had to use all that up because of the economy and the tumbleweed things that have happened. I've had to use it all up to where there is nothing left. So, you ask me about retirement? ... because there is nothing here in the here and now or for the last eight years to be able to build up to a retirement."

If one loses hope, then spending can quickly get out of control. The respondents made a direct connection between their ability to soldier on, trying to keep themselves and their families together, and their ability to have a sense of optimism.

"I think that is why I overspend on the credit cards because I go oh well. I have an I don't care attitude despite my fighting back, but I am hurting myself."

"But everything happens for a reason and you just have to stay positive and just think that there could be worse things."

They said that they are open to new ideas and will try new things.

"You have to take a risk."

Challenges

Other family members may be at the root of their financial problems. These women often were dealing with the financial fall-out of illness, job loss, and the loss of their partners, along with that income. This group mentioned children with ADHD or bipolar conditions and ailing parents. In some cases, they have approached a church for help, but their experience has been that help will be offered only for short periods.

"You can approach them in an emergency situation... Yes, but when that emergency is over a long period of time for more than a month or two or six months to a year, two years or three years than it's not open."

"While I was in the hospital, he ran me up 25 thousand and then [company] laid him off and he walked out on us."

Most of them do not share their troubles with other people for a variety of reasons. For one thing, they are afraid that they will be perceived as “whiners.” For another, some of their family members are in worse situations than they are.

“So, where I’m at they would probably feel like I’m bragging even though I don’t have much.”

“But there used to be a time when I was raising my son and I would think, how are we going to do this? Honestly, during that time we lived without lights for awhile.”

Government agencies are often not helpful, again for a variety of reasons. Transportation may be an issue, getting an appointment may take a very long time, and the applicant may be rejected on the basis of income. Additionally, having to accept that one needs help can be hard to acknowledge because it is a threat to one’s self-esteem.

“Just like the people from Katrina and Louisiana but it’s always been in our world, we were raised a certain way and you are proud. Your family raises you a certain way. My mom’s dad was a WWII veteran and during the time we had that big flood here, we had a lot of mold in our apartment and I became very humble. This was making me sick and making my son sick so I reached out to FEMA and I told the guy that I come from a veteran WWII family and I’m not supposed to be doing this, but I need some help here.”
“They should be helping us until we get back up on our feet but don’t just do this (makes gesture of a handout). I don’t like that.”

These women spoke at length of the difficulty of asking for help. Their wish is that help be available when needed, but they are not in support of giving help to those who don’t deserve it because they are not willing to work.

“...But it bothers me because I know my race, I know my culture and I know a lot of cultures here. We are multicultural and a lot of this country has been backboned by people from different minorities. We all come from descendants of immigration. We are all here to work. The majority percentage, I’m going to say 95 to 100% of Hispanics are here to work. Everybody wants something. If you don’t give them a chance and if you are going to give this too much then it’s not good either.”

“I waited too long. I was just hoping that something would break and then you finally realize that you are going to have to ask for help.”

“...You see people on unemployment or welfare, I would rather say welfare than unemployment – that year after year after year they get and they get and they get. They get food stamps, they get this and they get it on welfare and all I needed was \$200 a month for maybe three months but I made 75 dollars a month too much to get that help. And because of that it put me way back, because of that fine line.”

Sources of Information

One respondent described a family friend – a woman to whom she had turned for advice. Having been through financial problems herself, the woman was able to give her help that was useful. Most of the women in the group confined their search for information to close family and friends.

“Well she is a little older than me and she had children and had several husbands and had divorces and had all these things happen to her. She had that experience herself and I could relate to the fact that she knew what she was talking about.”

Several had looked into credit counseling, but decided against it.

“They were already telling us what we had already been doing and charge x amount of dollars.”

Message Test

After reading the first message, some respondents felt that the couple portrayed in the story had an unrealistic financial situation.

“Eight to ten years ago it was – right now you don’t have the eight thousand retirement account that you can put the \$142 a month and the employers are not putting 100% matching it so you can knock that right out. If your income is \$2,636 a month between one or two people you don’t have social security. If one person is making that amount the other person is not making much on social security.”

“I mean they got assets but it’s a pretty typical story.”

The second story also met with some skepticism. They thought the woman in the story should downsize, and that she actually had more options financially than they did.

The idea of going to a financial advisor, as presented in the article did not interest them. They assumed they would have to pay for the service, so to a large extent that was impossible. They also did not think that an advisor would understand the reality of their financial situation, or tell them something that they had not been able to figure out on their own. They did indicate a preference for an opportunity to share financial advice among other women with similar problems.

“I don’t feel like they get the whole picture. If you go to an advisor you don’t have an opportunity to get into what the picture is. There is the picture of what I’m going to tell you and then there is really this picture. So, I don’t think so.”

They also expressed a general interest in the idea of a credit card that rounded up, and a savings account into which the tax refund would be automatically deposited.

TOPLINE REPORT

AARP

Houston Low-Income Focus Groups

SITE: Houston, Texas
PROFILE: Age 56-65, Income \$25,000 or less
DATE: September 6, 2006
TIME: 7:30 p.m.
MODERATOR: Ruth Sando, Ph.D.
OBSERVER: Jean Koppen, Jeanne Anthony

BACKGROUND

This focus group was the second in a series of four held in Houston exploring the challenges to saving for low-income women. AARP and its Foundation contracted the research in order to explore potential messages concerning saving.

It should be noted that the focus group methodology is qualitative and exploratory in nature and is not intended to provide data that can be projected to a stated universe. Focus groups are designed to elicit reactions from participants about particular topics, and to generate new understanding of behavior and attitudes that will help the client to understand a subject area. The output from focus groups also is helpful in developing hypotheses and parameters to be included in a quantitative study.

Recruitment

The respondents for this focus group were required to be between the ages of 45 to 55, have a total household income at or below \$25,000 with major responsibility for financial decisions, have a least a high school education, and be currently employed or with a partner who is employed. We also wanted a mix of ethnic backgrounds. We were able to obtain a group of 7 respondents. Many of the respondents had raised a family, and three were in households of more than one person. The educational levels in this group varied from high school to college graduate.

One reported having had major medical expenses, and three had lost a job in the past. Additionally four were divorced, one was a widow, and one was separated. Ethnically, they were a mix of Hispanic (one) African-American (one) and Caucasian (five).

We asked them to fill out a short questionnaire, although with such a small number, its value is solely in painting a picture of their financial practices. Their responses produced the following information:

- All of the respondents have checking accounts, and six of them check their balances monthly.
- Bills are paid by check or on-line.

- Six of the seven have a credit card, with the number of cards ranging from two to seven. Five have cards that always carry a balance.
- Most (six) of the respondents rent.
- Most (six) do not have any pension or retirement plan.
- Six do not do their own taxes, with the largest number of these using a CPA to do their taxes.
- Six turn to family and friends for financial advice, one additionally will consult a CPA. One said she has no one.

RESULTS

The responses to the questions posed in the focus groups are presented according to the major topics in the discussion guide. This guide was developed jointly with AARP to produce information necessary to create savings messages targeted at low-income women. Many direct quotes from the taped discussions are included to provide a stronger sense of the way in which respondents' attitudes were expressed.

Decision Making

A few women in this group had children or grandchildren at home. They ranked their most important expenses as housing, utilities, and transportation. Following those bills, most in the group chose insurance, medical, and food as the next priority.

Money Management

Since all of the respondents in this group have checking accounts, that is the most common method they use for paying bills. Some have moved to on-line bill payment as well. One respondent uses money orders because her apartment building does not accept checks. She can obtain the money orders free or for \$1.75.

Many use budgets, and have used them for years. This helps them to be aware of where their money is going, and operate in as thrifty a manner as possible. A budget does not mean that there will be any money left over.

"I don't have any financial plans, I just balance out every month and what little I have left over, I go spend."

"I budget so I can pay the bills, and not budget to save, and that is sad because if I am paying the bills I have nothing for saving."

Change in financial behavior over time

They "save" by making their money stretch further, a skill they had to develop over time. They recounted how hard it was to adjust their shopping behavior to account for the reality of their financial situation as it worsened.

“I always thought that I was saving when I got stuff on clearance, but you really are not when you don’t need the item.”

“Basically I don’t save or what you call it. When I get a paycheck and I have a little bit left over I am always going to the Dollar Stores and things. It’s like in my heart I guess I am thinking I am saving money that way. Like I said I live one day at a time.”

One woman compared herself to the others who were talking about strategies for saving, and said that her biggest problem was spending. She believes that it is her way of coping with depression.

“I am like an alcoholic, what do you call it? A spendoholic. ... So I guess when I get upset, I go buy myself something to make me happy. It might not be just \$1 thing from a dollar store...”

Re-learning how to live was a process that many had gone through, because they had not been in such hard circumstances earlier in life or when they were married. So it was a process to accept and adjust to the change.

“It took me a long time; I did a lot of crying and a lot of juggling money, trying to figure out, until I figured out that you couldn’t have that no more.”

Sometimes going to garage sales or clearance sales represents a “treat” for them. Other treats are small items: a bottle of perfume, flowers, or art supplies can lift their mood.

“Sometimes things don’t meet the way I want them to and I get discouraged and then whenever I do that I just go shopping for something I can start a hobby on and create something, paint it maybe, fix it up or something. Makes me feel better for where I am at that time.”

Saving/Debt

When asked where their last pay increase went, several of them had saved it in their 401k or paid down debt. Others indicated that it pays the property taxes, or that major expenses like medical ate it up.

“Everything is medical, medical. New glasses, new eye doctor, go to the doctor, you know take care of unresolved or unknown issues.”

“When you are having a hard time financially and you need the extra money, you use it.”

One method that many have found helpful is to have money taken out of their pay automatically and deposited to savings. If they are not aware of it, or given the opportunity to use it for another pressing purpose, the money has a chance of becoming real savings.

“Take it out of the picture, so you don’t even see it.”

“I have some CD’s and IRA’s; I am just trying to act like they are not there right now.”

These women plan to compensate for lack of retirement savings by working longer. Realistically they recognize that one of the problems with this plan is that companies are laying off older workers on a regular basis.

“If I can work until I’m 70, but I doubt it. I don’t know if a company will even keep me at 70.”

“Take care of myself and keep working. I am single so I don’t want to fall in the hands of my children. My sister’s rich. That is the only thing I have, I can live with her. I don’t have any other family, all my family is scattered all over the United States. So I just hope I just conk out whenever I do like that.”

Quite a few of these women have ordered and reviewed their credit reports. One gets hers every year, and another orders hers on-line. They have had many bad experiences with credit cards, and are suspicious of the offers for “pre-approved” cards that arrive regularly in the mail.

“You are pre-approved, but a lot of those, you have to read the pre-approved because they are pre-approved at 23% for a certain amount of time and you want to cut those up immediately.”

Challenges

Although women may approach family members for some financial advice, it appears that they let very few of them know how bad their financial position is. Most said that their children do not know, and some haven’t said anything to their own mothers. They don’t want to ask for help, and feel humiliated by their circumstances.

“I think it is hard for people to accept money, I know when my mother was alive and I would go visit, my grandmother especially, they would refuse to accept money, so I would always leave money stuck in the Bible. They would find it after I was gone.”

“I have always tried to be independent to a certain degree and it is kind of embarrassing to tell somebody that I need some money. It is bad enough to go down to the unemployment office. That is degrading itself, much less to have to turn to someone else and say I need some money to do something with.”

“Grocery shopping on \$28 a month will kill you, but you can do it.”

Sources of Information

Most of these women turned to family members for financial advice. Some know a CPA that they trust and will ask that person for advice. Generally they think of financial advice as something that is for people with more income and choices than they have.

“I will go to my family, sometimes I listen to them, my mom and even the TV shows, sometimes they talk about setting your priorities straight and how you should spend your money and stuff. I listen to certain ministries on TV . . . he gives a lot of good advice on a lot of things. So everywhere I get it. But I just don’t go out and seek it, like I have this good financial advisor, because I am not in the big money market, if I was making \$50,000 and over I think I would, but I am not in that big.”

Message Test

Members of this group found the first message tested to be credible and realistic, but thought that the couple was uninformed. The husband’s status as a veteran should have given him access to better care, but they felt that his lack of information concerning rights is fairly typical as well. One woman reacted to the article by reflecting on her own situation:

“Well, I know that what my long-term goal realistically is a gamble, I have no health

insurance, and my company does not provide health insurance. Although they are investigating the possibility of doing that. If I am disabled, my social security will not be enough to pay my monthly bills, that's all there is to it. I have got to go into an outside activity other than a sporadic bookkeeping, typing, I need something that when my bills are paid off I will invest in land. But I need to do that now and not down the road, by the same token I look at my interest rates and the money I could make on land right now, would not offset what I would lose paying the bills off. So I have to pay my bills off before I can invest anymore."

"You know we are all sitting here saying when I do this or when I do that, but when the time comes for something to happen, we are never prepared for it, like she is saying."

The focus of the story on the couple's income also brought out some issues for the single women. They feel that they are discriminated against as females, and that, as singles, their social security will be so small that it will be virtually meaningless. Couples and women with children receive a larger amount.

"I have a friend and she has a nice retirement and I have another friend who has never worked, but her husband worked, and she gets her husband's retirement and she gets a good amount of money and she never worked in her life. And me, I am the girl that worked my whole life and I won't get hardly anything."

The second story made them concerned that the woman portrayed was making a mistake by taking out a second mortgage. They thought it was a bad solution to her problem, and that she was too old to be taking on that debt. They also thought that she was not being realistic about her financial situation and had not adjusted her lifestyle accordingly.

*"She is trying to live the way she was, and today she is in a different situation, I think."
"You have to come down, I have had to come down."*

The idea of a savings account into which a tax refund was automatically deposited was well received. On the other hand, there was mixed opinion about the credit card that rounds up. One woman has it and likes it. Some others were concerned that there would be hidden costs.

After discussing the financial advice presented in the messages, the women were asked about their interest in having a group that would informally discuss financial issues with other women or with a woman mentor. They responded quite positively to the idea. Their preference would be a peer group comprised of people in a similar age group and with similar experiences.

"But you want to expand it where it is not too close to your own age; you need slightly older and slightly younger. So you get a bigger range, if you narrow your peer group too narrow, then you are not going to have new input from people who are experiencing new things that have just come up. Like this do not close out your credit card deal. You've got to keep yourself open to both ends of the spectrum."

"I want somebody that is down to earth that can talk on my level or somewhere in there that actually knows what you are going through. Like a single parent can understand more what a single parent is going through."

"Can I just say one sentence? I would like someone to teach us how to make money."

TOPLINE REPORT

AARP

Houston Low-Income Focus Groups

SITE: Houston, Texas
PROFILE: Age 56-65, Income \$25,000 or less
DATE: September 7, 2006
TIME: 5:30 p.m.
MODERATOR: Ruth Sando, Ph.D.
OBSERVER: Jean Koppen

BACKGROUND

This focus group was the third in a series of four held in Houston exploring the challenges to saving for low-income women. AARP and its Foundation contracted the research in order to explore potential messages concerning saving.

It should be noted that the focus group methodology is qualitative and exploratory in nature and is not intended to provide data that can be projected to a stated universe. Focus groups are designed to elicit reactions from participants about particular topics, and to generate new understanding of behavior and attitudes that will help the client to understand a subject area. The output from focus groups also is helpful in developing hypotheses and parameters to be included in a quantitative study.

Recruitment

The respondents for this focus group were required to be between the ages of 56-65, have a total household income at or below \$25,000 with major responsibility for financial decisions, have a least a high school education, and be currently employed or with a partner who is employed. We also wanted a mix of ethnic backgrounds. We had a group of 8 respondents, including 3 Hispanics, 3 Caucasians, and 2 African-Americans. Many of the respondents had raised a family, and five were in households of more than one person. The educational levels in this group varied from high school to college graduate.

Four reported having had major medical expenses, and five had lost a job in the past. Additionally, four were divorced, one was single, and one was a widow.

We asked them to fill out a short questionnaire, although with such a small number, its value is solely in painting a picture of their financial practices. Their responses produced the following information:

- Six of the eight have checking accounts, and five of these check their balances monthly.
- Bills are paid by a variety of methods, including checks, money orders and cash.
- Six of the eight do not have a credit card. Of the two who do, the number of cards ranged from one to five.

- Four respondents do not have a mortgage.
- Half of the eight do not have any pension or retirement plan.
- Five do not do their own taxes.
- Three turn to family and friends for financial advice. Other sources of advice are the bank, church, or the internet.

RESULTS

The responses to the questions posed in the focus groups are presented according to the major topics in the discussion guide. This guide was developed jointly with AARP to produce information necessary to create savings messages targeted at low-income women. Many direct quotes from the taped discussions are included to provide a stronger sense of the way in which respondents' attitudes were expressed.

Decision Making

A number of women in this group had children or grandchildren at home. They ranked their most important expenses as housing, utilities, and transportation expense. Following those bills, most in the group chose food, medication, and payments on debt.

Money Management

These women use a variety of methods to pay their bills – phone, check, or money order. They were aware of the cost of these various choices. Money orders could be found for free, and in any case, they were cheaper than paying by phone or paying bills through the grocery store. Unlike some of the other groups, though, nearly all had a checking account.

There were many strategies for lowering expenses, including less shopping for self or in general, cutting back on communication devices, buying less food at the grocery store, or cutting back on personal care, gifts/clothes for grandchildren. Some had to cut back on utilities, specifically air-conditioning, in spite of the heat.

“My weakness, I had stopped all that shopping, and was calm, I was in the clear, and then I went back and started buying for my grandkids and my children, I said look, oh that’s a sale, I’m going to buy that for the girls, I know that is a good buy and I’d spend all my money.”

While several had a budget, others weren’t able to stick to it or are just tracking expenses.

“I started at least keeping track of where I am spending the money. I have it in columns, and I keep thinking I’m going to add this up and make a budget.”

A number had extra income from part-time work or child support, but it did not become savings.

“Unfortunately what usually happens is that some expense comes up, I’ll be thinking it is extra, but what usually happens is that something comes up.”

Change in financial behavior over time

Some women had a constant struggle because their finances did not really allow them any discretionary spending.

“One way I save money is having certain categories that I just don’t buy or do and that eliminates some things, like I don’t eat out and I usually don’t buy new clothes, so that keeps the expenses down.”

“It’s do I pay my electric or water?”

“Yes, because I was home free, I had learned from my experience. I had gotten myself over my head, but I paid it all off and had been years worry free, but once you get yourself in it, you are always trying to get out of it, I have 2 cards, I get all these offers, but I don’t want them.”

The challenge of their long-term financial struggles is hard on their spirits. They have found that some sense of optimism is necessary to their ability to go on. They discussed two methods of giving themselves that sense of optimism or well being – small treats, and doing something for others.

“My thing is I go to [restaurant] and that little breakfast for 99 cents and sitting there drinking coffee, that is my little vacation right there, it feels good too. It’s something that you don’t have to feel bad afterwards.

‘Lately, this is terrible, worse than shopping, but it’s food. I’ve been in a slump and depressed, so I’ll take myself out to eat.’

“When I get my paycheck I know I have more or less a bit to go out and treat, I’ll call one of my friends, and I feel good about that. Like she says, I go into a depression, and I need some one around to talk to, but when I go home it’s a different thing.”

“I think that you get caught up in it (volunteer work), your focus is not on you, it’s on helping others....It makes your problems smaller.”

Saving/Debt

Most of these women do not have credit cards. Most had gotten rid of their cards after becoming seriously over-extended.

“I cut out debt... We negotiated with the credit cards companies. We did it twice, I got laid off, and so did my husband after 9/11 and we were up the creek, he’s still paying off his, but mine are paid off.”

Some women found that they got into debt by “saving money” on sales. The temptation to buy something at a greatly reduced price is hard to resist, but even that price may be too much.

“I feel like it is just a matter of discipline. I have the habit of thinking, I should get to have this, since I don’t have this other stuff, so it seems like it is a small expense or if it is \$10 when it was \$80 that you should be able to do it, but you may not be able to afford \$4.”

The lack of any savings causes many problems. One is that there is no way to deal with emergencies. As we saw with Hurricane Katrina last year, those with lower incomes have few resources to call upon.

“I would like to get an emergency fund together. In this last flood we had in June, my

car drowned, and I wouldn't have a car anyway, but my brother and sister gave me some money and my daughter sold me her car for less than it was worth and it was humiliating to be in that situation where I don't have any reserve if anything happens."

Another problem is that they must defer expenses that are considered essential, such as health care. Many indicated that they had not had routine medical tests for years. Given that only three women out of the eight in this group had medical insurance, the end result may be even bigger problems down the road.

"I don't have money for reoccurring expenses, I don't get the mammogram or new glasses, I always think if I have a reserve of money I'll do such and such, but some thing comes up."

"I only teach from course to course and there is no guarantee that after you spend this dollar today that there will be a dollar behind it, that is why you have to make these very tight budget concerns and I haven't had a mammogram in 7-10 years."

Many were in jobs with low salaries, poor benefits, and had gone through a series of job losses. Their incomes were more problematic than spending because it gave them no room for error. Bad practices with credit cards, for example, would not ruin someone with an adequate income. For them, it was just a matter of time until they were in serious difficulties.

"It took us 10 years to get to the point where all of our funds were exhausted."

Saving a large sum of money long-term for retirement was not on the horizon for them. Half of them had no pension or 401k. When they were asked what they thought their life would be like when they were older, they expected to work forever, and possibly find someone to share housing with (only one reported having a mortgage).

"The social security already told me that I would probably have \$300 a month, so I will probably live with some other lady, that is the only way I will be able to make it."

"Women who could share utilities and work and you could have a part time job without being penalized."

Challenges

These older women had lived through a great deal of social upheaval in the US. Many believe that they had lost a valuable network of support that women had enjoyed in past generations.

"To have a domestic life that we don't have anymore, when the guys left the bedrooms back in '60s women left the kitchens in the '70s and there are a whole bunch of women that have no spouses and no incomes because we didn't have the opportunity to go to school, I didn't go to school until my mid 40s and I would love to go back to school, but I can't afford to take the time off to stay in school. There is a tremendous amount of willing women out there, but we just don't have the network that we had at one time with families and sisters and mothers and cousins. We don't have that anymore and it is making our system so much more encumbered."

These women felt isolated and somewhat abandoned by mainstream services and organizations. Their experience is that in many cases anyone could be in their position, and it is not necessarily due to bad decisions they have made.

“What is interesting right now is that everyone is marketing to the baby boomers as if we all have money. Maybe we had money, but we had so many circumstances that came up and took it, so many companies out of business, so much sickness in the world.”
“Yes and that is what causes so much of the depression because you can’t invent the wheel everyday of your life, and the system has let us down. My company left me; they went bankrupt. All of a sudden, I didn’t have a job, my husband didn’t have a job because 9/11 hit and then all of a sudden all of our retirement, our equity is gone and our cars disappeared. We didn’t make bad choices, we had to deal with the choices that were there and all of the sudden there was no money left.”

Ironically, in some cases their challenge may be that they are working and earning money. This makes it difficult for them to get assistance in a financial crisis. Government agencies use a “sliding scale” of income, and they sometimes reject the working poor in favor of those who are even worse off. These women find help by word of mouth, although their experience indicates that it is very difficult to actually get into programs and receive any help.

“The county is really hard, it could take a whole day to get interviewed and then when they give you an appointment, if you can’t make that appointment or if they cancel it, you go to the end of the line, you could wait 3 months for an appointment and if they cancel it, it is another 3 months, and the one time I went there, I wasn’t happy with things.”
“It’s very intimidating.”
“You do have to do it over and over.”

Sources of Information

Half of them turn to family or friends for financial advice. There wasn’t any indication that they found good advice, perhaps because of their circumstances.

“I don’t really have anyone. God.”

Message Test

They identified with the illness and the education in the first message, and with what they saw as age discrimination in employment. They felt the story was realistic, particularly because it captures the unexpected setbacks.

“Having things come and hit you from the side.”

On the other hand, the story portrayed a couple with more assets and income than many of the respondents have. The couple has benefits, which give them more options and room to maneuver.

“I support a household on less than that.”

They were not very interested in the idea of an account into which tax returns are deposited automatically. Some already had such an arrangement, while for others, it would not be realistic to think that that money would not be needed right away.

“It’s already spent before you get it.”

The idea of a credit card that rounded up did not generate interest. One person had such a card, while the rest were afraid of it because they believed the pennies would quickly add up and deplete the account.

While they weren't interested in advice from financial planners, they were quite enthusiastic about advice coming from other people in similar circumstances. The only place any could recall having access to such information was through a church.

"I don't think there is anything wrong with a professional, but we aren't at an income where we have flexibility and we are fixed on those few dollars doing those essentials that it is hard to swing even a couple of dollars."

"But some one who has already been there like us and has gone above the obstacles, that is the kind of person that I would like to go to."

"You have to have finances to plan."

"...My mom used to call it high class problems, like what insurance policy you should drop and stuff like that, what you should do with your 401K plan and I look at that and it's no help to me."

They would want a group for single people, male and female that focused on managing your money, and was comprised of people who had been through similar problems. They want to preserve their privacy, so wouldn't necessarily be interested in joining an organization where they are known. Their experiences in searching for assistance have not led them to trust the government either, so if a program were developed by a federal or state agency, they would have some apprehension. One respondent decided that if there were such a group, it could be called "Broke Anonymous."

"Being anonymous here made me feel safe."

"Sometimes in church, you know all these people and you don't want to say those things too."

TOPLINE REPORT

AARP

Houston Low-Income Focus Groups

SITE: Houston, Texas
PROFILE: Age 45-55, Income \$25,000 or less
DATE: September 7, 2006
TIME: 7:30 p.m.
MODERATOR: Ruth Sando, Ph.D.
OBSERVER: Jean Koppen

BACKGROUND

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It should be noted that the focus group methodology is qualitative and exploratory in nature and is not intended to provide data that can be projected to a stated universe. Focus groups are designed to elicit reactions from participants about particular topics, and to generate new understanding of behavior and attitudes that will help the client to understand a subject area. The output from focus groups also is helpful in developing hypotheses and parameters to be included in a quantitative study.

Recruitment

The respondents for this focus group were required to be between the ages of 45-55, have a total household income at or below \$25,000 with major responsibility for financial decisions, have a least a high school education, and be currently employed or with a partner who is employed. We also wanted a mix of ethnic backgrounds. We were able to obtain a group of eight respondents. Many of the respondents had raised a family, and six were in households of more than one person. The educational levels in this group varied from high school to college graduate.

Three reported having had major medical expenses, and five had lost a job in the past. Additionally, four were divorced, and two were widows. Ethnically, they were a mix of Hispanic (four), African-American (one) and Caucasian (three).

We asked them to fill out a short questionnaire, although with such a small number, its value is solely in painting a picture of their financial practices. Their responses produced the following information:

- All eight have checking accounts, and six of these check their balances monthly.
- All have credit cards. The number of cards ranged from one to six, and seven always carry a balance on their cards.
- Five respondents are renters.

- Seven of the eight do not have any pension or retirement plan.
- Seven do not do their own taxes, with the largest number of these using a CPA.
- Six turn to family and friends for financial advice.

RESULTS

The responses to the questions posed in the focus groups are presented according to the major topics in the discussion guide. This guide was developed jointly with AARP to produce information necessary to create savings messages targeted at low-income women. Many direct quotes from the taped discussions are included to provide a stronger sense of the way in which respondents' attitudes were expressed.

Decision Making

A number of women in this group had children or grandchildren at home, and one had taken in many relatives after Katrina – one of whom was still there. They ranked their most important expenses as housing, utilities, and transportation. Following those bills, most in the group selected insurance, food, and credit card payments as important expenses.

Many of the women budget and indicated they had been doing so for some time. After her husband became ill, one woman had gone to a class through her church, which taught her how to budget.

“I go back over the bank statement and I see how much money have I spent for gas, how much money have I spent for groceries and you total up the electric bill I know how much money I’ve spent in that length of time And the next month I try to get it even lower.”

Money Management

Women in this group paid most of their bills by check. Some were also paying online or by phone debit. One was using money orders, which she was getting free.

Change in financial behavior over time

The high utility bills were causing them to economize further. They accomplish this by cutting back on groceries, services such as yard work, entertainment, personal care, energy use, and shopping in general.

“I’m ready to cut out Christmas, I told everyone just cross it off your calendar, it won’t bother me.”

Divorce or widowhood had caused some of the respondents to become better money managers. They budget, frequent the sales, and buy gifts ahead of time to spread out the cost.

“But after we divorced I have a lot of financial problems because I was used to spending the money together with my husband. But later on I realized that I was spending more and more of the money I was earning. So I started writing down everything that I was spending and that has helped me a lot.”

“Well I live in a dark house and I don’t use a dryer. I air-dry my clothes in my utility room and I look like the Hillbillies. I’m just very frugal. Very.”

“And what I do at the grocery store, I have a little rule. We have a little basket where the little child sits and my rule is - I will only buy enough groceries that will fit in that little basket and if it has to go in the big part of the basket, I put it back.”

Saving/Debt

Some of these women had gotten into trouble by misusing credit cards.

“Oh yes. Credit is funny money anyway, its money that is not even there. It’s designed to get us all in debt. It is ...it’s bad.”

“When those things come in the mail they go straight to the shredder, I don’t even open them.”

“What’s hurting me is the unemployment factor plus being late, so I have late fees and they’re raising my interest rate and it’s eating my lunch.”

Other women had been thrown into debt unexpectedly through someone else’s actions. They were working their way slowly out of debt, and the experience forced them to develop new financial behavior.

“My husband died. He left me with ten years of back taxes on the house so I had to take out a mortgage and everything, and do away with all of the credit cards.”

“When I got divorced, my husband left me with a really bad debt. The institution was really bad, not only that but he had ruined his credit so he started using my name to open accounts.”

“I asked for my credit report because I asked for some credit for something that I needed. When I received my credit report there were two credit cards that I had never used. I asked the lady to investigate what happened and when the report came back it was my husband who had signed it.”

“So I guess when we came to this country and I saw all of these credit cards. I remember when I got married they sent me these credit cards with my name on them, and I thought I’m very famous because I got married; these people know me and I signed up for two or three credit cards. That was a very big problem.”

Those who have children indicated that they have shared information about their financial situation with them. Many of these children are living at home, so it would be difficult to keep them from knowing. At the same time, some of these children are developing their own problems with credit card based debt. Regardless of the example, parents feel that sometimes the temptation for those who “live in the moment” is too great.

“...I say to him you know I have been in a lot of economic problems because of the credit card and try to lower it and he says well next paycheck I am going to pay half of it. Then the next time comes and he sees something that he wants and he uses the credit card and he cannot manage. So it’s hard for him too.”

Some of these women had direct deposit with money taken out automatically for savings. Two respondents also had savings accounts that they were keeping secret from their husbands. But those who were having severe problems due to unemployment usually were not able to save.

“No, I don’t save. No money to save. My husband got laid off two years ago so the little bit of savings that we did have together when he was working, we’ve gone through that.”

He's back working but he's not making a lot of money so it's hard for us to try to save anything. We just use the money when we get it to take care of what we have to take care of."

"My husband and I have a savings account in a credit union that he doesn't know about. I put my income tax refund in there."

Retirement is an issue that caused them to shake their heads. The fact that many had changed jobs over time meant that they might have some small retirement funds waiting for them, but they didn't think the amount would make a difference. Plus they worry that social security will not be available for them when their time comes.

"I wouldn't be able to live off of what mine is. It's like one hundred and seven dollars a month and I've worked for the school district for 15 years. I'm a teacher's aid; I'm not a teacher, though."

"I have \$50 dollars towards retirement."

"Well, I haven't any plan for retirement yet. Where I work at the church I don't have benefits for retirement. Just vacation and sick days so what I'm planning on now is to get a part time job and start saving some money for retirement."

Challenges

Some would like to improve their salaries by moving into jobs that pay better. On the other hand, sometimes they felt that their age might be a problem.

"I don't know. I'm just too chicken to go back. I'm too old."

Maintaining a positive attitude in the face of adversity is a challenge. One of the ways that they help themselves maintain a good attitude is to treat themselves to something small. It could be a dinner out, an occasional manicure, or an inexpensive article of clothing. Another way to improve their spirits is to do something for someone else. A number of these women volunteer. They believe that remaining positive is key to their well-being.

Sources of Information

A prime requirement if they were to go to any financial advisor is that it would have to be free. They would also like to know that the person is speaking from experience rather than from a theoretical perspective.

"I think that as long as you are getting a professional to help you and I don't know if they've ever experienced it or not but I think if you're more experienced while their advice may be good, it should be proven to work. Or make sure it has been proven to work."

Message Test

They found the first story to be realistic, but thought that the couple themselves had not adjusted to their situation.

"If your budget is not working re-do it. You have to make it realistic."

Putting financial information into a series of stories made it easier absorb. However, to cause the reader to act, the situation described would have to be close to her own circumstances. They seemed to look for a story that was “*just like me.*”

Perhaps because they have gone through their own “learning curve,” they have an interest in and appreciation for the real life experiences of others. This very practical body of knowledge could be accessed through groups or individually, through non-profits or commercial organizations. What is most important is that the advice given be based on this type of knowledge. If financial advice comes through counseling services, for example, the counselors need to have personally experienced severe financial problems in order to be effective. They felt this approach would be the most motivating, and lead to real behavioral change.

Attachment A

SAMPLE SCREENER

Screener

Instructions: For this project, there will be 4 groups of 8-10 people each, all women. Please recruit 14 to ensure 8-10. Two of the 4 focus groups will contain people age 45-55 (total recruits = 28), and the other two will contain people age 55-65 (total = 28).

Hello, My name is ___ and I am working for AARP. We are carrying out focus group interviews to explore the economic pressures on families. The focus group will last approximately 2 hours. If you qualify, you will receive \$65 for participating in a focus group interview that will take place in ____ at ____ (time). Food will be provided.

Q1 We want to talk to women within certain income levels. If you add together all the yearly income of all the members of your household for the last year, 2005, which category best describes your family?

\$25,000 or below continue
Above \$25,000 **terminate**

Q2. Are you or your spouse/partner currently working part-time or full-time?

Yes continue
No **Terminate**

Q3 Are you retired?

Yes **terminate**
No continue

Q4 Are you or your spouse/partner receiving social security?

Yes **terminate**
No continue

Q5 Do you have responsibility for household saving and spending decisions for your family?

Yes continue
No **terminate**

Q6 Which of the following age groups do you fall into?

Under 25 **terminate**
25-44 **terminate**
45-55 continue (put in group 1)
56- 65 continue (put in group 2)
Over 65 **terminate**

Q 7 What is your ethnicity? (*Need a mix*)

White continue
African American continue
Hispanic continue

Q8 Do you or does anyone in your household work for any of the following industries – marketing research, economics, banking, financial services or statistics?

Yes **terminate**
No continue

Q9 In the past 6 months, have you participated in a group discussion or survey for research purposes?

Yes **terminate**
No continue

Q10 Which of the following best describes the number of family members living in your household? (*Would like a mix*) (*Ask their ages*)

1
 2
 3
 4+

Q11 Which category best describes your highest level of education? (*Must have at least some high school education*)

Grade School **terminate**
 High School continue
 College continue
 Graduate School continue

Q12 What is your marital status? (*Need a mix*)

Never married *maximum 2*
 Married continue
 Divorced continue
 Widowed continue

Q13 Have you ever lost your job in the past? (*Need at least 2 per group*)

Yes
 No

Q14 Have you had major medical expenses in the past few years? (*At least 1 per group*)

Yes
 No

Q15 Which best describes you? (*Try to get a mix*)

Frugal
 Average
 Free-spending

Articulation question: If you had extra money right now, what would you do with it?

Attachment B

DISCUSSION GUIDE FOR AARP

DISCUSSION GUIDE FOR AARP

I. Introduction (5 minutes)

Moderator

Purpose: to discuss spending and savings issues for women

Mikes, mirrors, and tapes

Confidentiality of the discussion

Introductions

First name

Occupation

Family and ages, number dependent

II. Warm-up (5 minutes)

Financial Assets and Practices (*Ask participants to fill out a sheet with their answers. They keep the sheet until the end.*) (*This will be prepared as a separate form with room for answers to each question.*)

III. Full Discussion

Spending: (30 minutes)

Using a flip chart, ask them to give examples of things that they spend money on and are important to have. Then, with the visual assistance of their list, ask them to answer the following questions.

In your spending, you make conscious decisions about what's important and what your priorities are. What are your top three priorities (must have) and why?
What are your next three priorities, and how willing are you to sacrifice for them?

How do you make your purchases? (cash, check, debit card, credit card, wire transfer, money order, etc.)

- What is the advantage for you?

Thinking back to when you were younger, how has your financial behavior and decisions changed over time?

- What attitude or behavior has changed the most?

- What caused you to change?

Challenges

If medical expenses or insurance have been a significant issue for you, how did you cope?

- Have you changed the choices you made in the past few years in terms of prescriptions or treatment? If so, how?
- How have these expenses affected your saving or spending?
- Are there any success stories?

In terms of your other expenses, are there areas that you have consciously cut back on in the past year?

Debt

Thinking about getting money when you need it, what have you done, or seen someone else do, that you would consider a mistake?

- What would have been a better alternative?

What was the source of your debt? What did the money go to?

Is your debt at a level that worries you? What have you done about that?

Has the experience of debt changed your spending behavior?

If you needed money, there are a number of ways to get it. What are the top two that you have used or would use, and why? *They may respond with answers such as -*

- Credit card debt (don't pay off right away)
- Home equity loan
- Borrow from savings
- Borrow from 401k
- Borrow from relative/friend
- Payday loan
- Pawn shop
- Sell your home
- Borrow against your life insurance
- Personal loan
- Work more hours/second job
- Other

Have you ever used the “debt consolidation” services that are advertised on TV?

- If so, was there an advantage or benefit, or was it a bad experience?

Savings (30 Minutes)

Are you currently saving? Is it for a specific goal?

- Do you have an emergency fund?
- Do you always have a goal in mind when you save? (new car, home repair, etc.)
- What are your current goals that you are saving for?

How do you accumulate savings? Do you have to have “extra” money in order to save?

Thinking back, can you tell me about a time in the past when you or someone you know was able to save successfully?

- Did you have a specific goal?
- What do you think contributed to your success?

What kinds of savings accounts do you have? (passbook, save money in checking account, Christmas club, credit union account, etc.)

Where do you save your money?

- Why did you start going there?
 - Are they helpful in suggesting ways to make your financial life better?
- Do you expect them to be helpful in that way?

Have you been able to save money for retirement? How are you saving? (IRA's, 401k, etc.)

- How much do you think the average person should have saved in order to retire?

What are your financial expectations for your retirement?

- When do you think you'll retire?
- Realistically, what will be your main sources of income, and what will be your lifestyle?

Are there benefits that your employer offers that you haven't signed up for? Can you share your reason?

- If you don't have direct deposit, why not?

Do you have any additional sources of income beyond your job? (Child support, alimony, eBay, yard sales, in-home sales, baby-sitting, etc.). Tell me about that. Do you use that extra income in ways that are different from your regular income?

- Tell me what your strategy is.

What did you do with your last tax refund?

- Did you borrow against it? Where?

When you get paid, what do you do with the check? (Direct deposit, put in bank, cash, take to check cashing service, etc.)

When you received your last pay increase, what did you do with the extra money?

Did you have a plan for it beforehand?

- Do you have techniques for keeping your savings from being spent?

What has helped you?

IV. Wrap up Issues (30 minutes)

Challenges

What's your greatest challenge in saving money?

- How have you dealt with that?

- What advice have you given to your children?
- Have you seen an example of someone who overcame a financial challenge that was helpful to you?
 - Was there a lesson that you took away?
 - Could you share it with us?

Do you feel positive about your life in general?

Do you think your friends would describe you as someone who likes to try new things?

- Do you like to “do your homework” before trying something new, or are you able to decide right away?

Sources of Information

What did your family teach you about managing money?

- Please share some of the most useful information you received from them or learned from someone else.

Please share what the best sources of information about money have been for you during your life, other than your parents.

Where would you go now if you needed to handle a financial problem and wanted advice?

V. Message Test (30 minutes)

Message Test

Read out the draft messages from AARP.

- What do you identify with?
- How realistic is this story to you?
- Did it give you any specific thoughts about your own situation?
 - What were those?
- Did you find it motivational?
- If you read this at home, would it make you think of doing anything? Do you think you would follow-up?
- Is there anything missing that you would expect to hear in the article?
- If you had a savings account that your tax refund would go into automatically, would that help you? If not, why not?
- If you had a debit card that debits your checking account automatically, would that help you?
- If you had a credit card that rounds up the charge and deposits the difference into your savings account, would that help you?
- Do you ever deposit checks by mail? Would you? Why or why not?

Is there a particular type of savings account you have or had in the past with a feature that made it easier to save?

- What was that feature?
- What about it worked for you?

Have you had accounts in the past with features that you felt worked against you? What were those features?

- Is there any other feature you would avoid in a savings or checking account?

Attachment C

QUESTIONNAIRE

Thank you for coming! Please take a few minutes to answer the following questions as well as you can. If you don't know the answer, please indicate that.

Do you have a checking account?

Yes _____ If yes, how often do you balance your checkbook, including debit card deductions? Never _____ Monthly _____ A few times per year _____
Once a year _____

No _____ What method do you use to pay your bills? _____

Do you have any credit cards?

Yes _____ How many? _____

No _____

How many of these cards typically carry a balance from month to month? ____

Do you know what the interest rates are on your credit card?

Yes _____

No _____

Do you have a mortgage?

Yes _____ If yes, do you recall the interest rate?

Yes ___ No ___ Don't know _____

No _____

Do you look at your savings balance to see the total?

Yes _____ If yes, approximately how often? Never _____ Monthly ____ A few times
per year _____ annually _____ Other (specify) _____

No _____

Do you have a 401k or pension plan?

Yes _____

No _____

What kind of benefits does your employer provide?

Health insurance ____ Life insurance ____ Dental insurance ____ Paid vacation ____
Prescription benefits ____ Childcare ____ Other _____

Do you do your taxes yourself?

Yes _____ If yes, do you use software? _____

No _____ If not, who does them? _____

Who do you go to for financial advice? (*Family/friends, church, bank or other financial institution, etc.*) _____

What print/online/TV information do you use for financial purposes? *Examples might be websites, newspaper columns,, TV shows, etc.*