

## Bringing Savings Opportunities to Public Elementary School Children in Resource-Limited, Rural Communities

### Abstract

This article describes the community organizing role of an Extension educator and a research faculty to enable young children in a resource-limited community to start savings accounts and to save regularly through a school-based savings effort. The study explored whether children from low-income communities are capable of saving money regularly when parts of a community system can be brought together to support a savings effort. When barriers are removed and enabling factors put in place, young children are capable of saving regularly and achieving their savings goal. Implications for university and community partner collaborations are discussed.

**Keywords:** children's savings, financial literacy and capability, resource limited community, seed money, integrated projects

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### Introduction

Savings accounts are important for American families, particularly for low-income families. Savings provide families with a cushion for emergencies that may help to prevent debt, loss of a job, foreclosures, and bankruptcies (Brobeck, 2013). Savings accounts may also enable low- and moderate-income families to improve their economic status. However, many Americans, and especially low-income families, often have no savings at all (Hogarth, Anguelov, & Lee, 2005).

Since the mid-1900s, there have been growing concerns about the saving and borrowing behaviors of U.S. households (Dyan & Kohn, 2007; Guidolin & La Jeunesse, 2007; Mandell, 2004). More than a third of the four million American children born each year are born into families with negligible savings to weather emergencies or to invest in their futures (Douglas-Hall & Chau, 2007). According to the 2012 National Financial Capability Study, 56% of Americans do not have an emergency fund (FINRA Investor Education Foundation, 2012). Consequently, many families can be at risk of being in serious debt or of becoming homeless a few months after losing a job or experiencing a major health crisis.

Trends of consumer debt, bankruptcy, and savings have improved slightly since the worst of the 2008 financial crisis. However, a recent national survey by the Consumer Federation of America assessing household saving found some troubling results (Brobeck, 2014). About half of Americans had good

savings habits and think they are adequately prepared for their financial future. This survey also found that about one third of the respondents (35%) reported they did not have sufficient emergency savings to pay for unexpected expenses like car repairs or a doctor visit, and only 49% of the respondents who were non-retired thought that they were saving enough for a retirement with a reasonable standard of living.

Numerous efforts had been made to promote financial literacy in the U.S. in the past two decades; the national initiative by the Coalition for Personal Financial Literacy (Jump\$tart, 1997) is an example. A substantial proportion of these efforts to provide financial literacy education and money management skills across the U.S. were made by Extension educators (Jokela, Hendrickson, & Haynes, 2013; Meraz, Petersen, Marczak, Brown & Rajasekar, 2013; Petersen, Heins, & Katras, 2013; O'Neill, 2006; McKenna, Owen, & Blansett, 2001; McKenna & Carroll, 1999).

However, relatively little seems to have been documented on helping children, especially those from limited-resource families in rural areas, to become "money smart"-becoming aware and astute about value of money, setting priorities and goals, making well thought out choices regarding spending and saving, and building important money related life skills (Behal, Bennett, Crites, & Weigel, 2003; Sherraden, Johnson, Guo, & Elliott, 2011). Researchers have suggested that children develop understanding of economic and financial concepts when they are as young as five years old (Behal, Bennett, Crites, & Weigel, 2003; Berti & Bombi, 1988; Sonuga-Barke & Webley, 1993). While children learn about money practices through deliberate instruction from parents, many children tend to learn about money from everyday observations of their parents' uses of and attitudes towards money (Furnham, 2001; Jorgensen & Salva, 2010).

One of the most important resources children have for learning financial information is their parents (Barnet-Verzat & Wolff, 2002). However, parents themselves often lack basic personal financial knowledge to make effective money related decisions (Lachance, Beaudoin, & Robitaille, 2006). In fact, findings from surveys since the mid-1990s demonstrated that American adults lack the basic knowledge to make good financial choices (Mandell, 2009), and increasingly, experts are recommending that financial education should begin as early as elementary or even pre-school (Godsted & McCormick, 2006; Holden, Kalish, Scheinholtz, & Novak, 2009).

## **Our Response: The Children's Savings Project**

### **Goal of the Project**

The goal of the project described here was to enable young children (K - 5th graders) in resource-limited, rural communities to start a savings account and to save money regularly. The data presented below are for the first year of the ongoing project, now in its fifth year.

### **Bringing the Community Together**

The Children's Savings Project is a 5-year study. This article describes the first phase of this savings effort. The project brought together several parts of a community system to enable and support young children to start a savings account and to save money regularly. The partners included a university

faculty member, an Extension agent, a community foundation, the public school system, parents, and credit unions.

## Project Design

In order to make it possible for the children to start saving regularly, the project did the following:

1. Partnered with local credit unions so that the initial cost of opening a savings account was more affordable (\$25) than other financial institutions that require \$100 or more as the initial deposit.
2. Obtained funding from a local foundation to provide funds to cover the initial cost of opening the savings accounts. Each child received \$25 to open the account so that their parents, especially those who are resource limited, did not have to bear this cost.
3. Made it convenient for parents by having the credit union staff come to school on a scheduled evening to open a savings account for their child.
4. Provided each child with a piggy bank to encourage them to save, and suggested a realistic financial goal to achieve (to save \$50 over 40 weeks of the academic year, not counting the summer months).
5. Arranged with credit unions to collect deposits in the school cafeteria or library once each month before morning classes began.
6. Provided children and parents with a schedule of monthly deposit dates.
7. Provided receipts and monthly statements for deposits made.
8. Sent reminders to parents and children about the deposit dates at school.

## Methodology

### Sampling Design

A convenience sampling design was used to recruit two public elementary schools in the same school district, an area with high unemployment due to the recent closing of major commercial agriculture businesses. The few employment opportunities available were generally in service industries offering low-paid unskilled jobs and required commuting; no public transportation was available in these areas. Both schools had significantly more than 50% of their students receiving federal lunch subsidies.

School A enrolled only 3rd graders for this project. The two 3rd-grade teachers in this school developed their own financial literacy content and incorporated it into their classroom instruction. School B opened this savings opportunity to all of its students (K - 5th graders), but did not include financial literacy content in its school curriculum.

Children at both schools were recruited on a first-come, first-serve basis. The first 100 students at

each school to sign up to participate would receive the \$25 seed money to open the savings account.

## Data Collection

Human subjects committee approvals were obtained from the university and the Department of Education prior to participation. Department of Education privacy requirements prevented the researcher from collecting personal or family data on the participants. Hence, only the following data were collected: gender, grade level, amount of monthly deposit, total amount saved to date, and number of deposits made each month. Arrangements were made to have the credit unions provide the data in an Excel spreadsheet format each month.

## Findings

A total of 118 school children (K - 5th graders) from two public schools participated in the Children's Savings Project. During the school year (from September of Year 1 to June of Year 2), 91 (77.1%) children made at least one deposit, and altogether, they saved a total of \$4,009.79. Table 1 shows the descriptive statistics.

**Table 1.**  
Descriptive Statistics

<b>Statistic</b>	<b>School A (3rd Graders)</b>	<b>School B (K - 5th graders)</b>	<b>Total</b>
Percent of student population on free or reduced lunch program	59%	68%	Mean = 63.5%
Number of students enrolled	60 (50.4%)	58 (49.6%)	118 (100%)
Girls	34 (56.6%)	32 (55.2%)	66 (55.9%)
Boys	26 (43.3%)	26 (44.8%)	52 (44.1%)
Enrollment by grade level	3rd graders - 60	K - 15 1st Graders - 18 2nd Graders - 5 3rd Graders - 6 4th Graders - 8 5th Graders - 6	118 (100%)
Savings participation rate*	58 (96.6%)	33 (56.9%)	91 (77.1%)
Average number of deposits made each month	41 (76%)	25 (43%)	69 (55.9%)
Total amount saved by end of	\$2,295.60	\$1,714.19	\$4,009.79

school year**			
* Number of children who made a deposit at least once during project time line			
**minus \$25 seed money			

The savings participation rate, defined as the number of children who made a deposit at least once during the project time line, at School A is higher (96.6%) than at School B (56.9%). Similarly, the average number of deposits made each month at School A is higher (76%) than at School B (43%).

Table 2 provides a breakdown of the savings. The average saving per child for the school year is \$34 (77% participation rate). Among the savers, the average saving per child for the school year is \$44.12. Approximately 10% of the savers achieved their savings goal of \$50 by the end of Year 1. There is more variability in amount saved among the savers in School B (SD = \$82.75) than School A (SD = \$29.69).

**Table 2.**  
Breakdown of Savings

<b>Statistic</b>	<b>School A (3rd Graders)</b>	<b>School B (1st - 5th graders)</b>	<b>Combined</b>
Total number of students enrolled	60	58	118
Average amount saved*	\$38.90	\$29.64	\$34.02
Average amount saved among savers	\$39.58	\$52.10	\$44.12
Standard deviation among savers	\$29.69	\$82.75	\$55.5
Minimum amount saved	0	0	0
Maximum amount saved	\$149.50	\$345	\$345
Number of savers - girls	32 (53.3%)	17 (29.3%)	49 (41.5%)
Number of savers - boys	27 (45%)	25 (43.1%)	52 (44.1%)

Average saved by girls**	\$42.90	\$13.85	\$38.64
Average saved by boys**	\$35.49	\$49.08	\$49.98
Number of children who achieved \$50 savings goal	6 (10%)	6 (10.3%)	12 (10.17%)
Number/Percent of girls achieved savings goal**	12 (37.5%)	1 (5.9%)	13 (26.5%)
Number/Percent of boys achieved savings goal**	6 (22%)	5 (20%)	11 (21.2%)
*Among all participants enrolled, **Savers only			

Independent-samples t-test analyses were conducted to compare the amount saved by school, by gender, and savings participation rate (i.e., the number of students making deposits each month). Table 3 provides the results of these t-tests.

**Table 3.**

T-tests by School (for average saved, gender, and savings participation rate)

			T value	df	Sig (2-tailed)
Average saved	School A (3rd Graders only) M = \$38.40	School B (1st - 5th graders) M = \$29.64	0.949	116	0.346
Gender	Girls M = \$38.64	Boys M = \$49.98	0.968	89	0.336
Savings participation rate*	School A M = 41 per month	School B = 25 per month	6.158	115	0.00
*Number of children making deposits per month					

There was no significant difference in the amount saved between School A (M = \$38.90) and School B (M = \$29.64);  $t(116) = 0.949$ ,  $p = 0.346$ . Similarly, there was no significant difference in the amount saved between girls (M = \$38.64) and boys (M = \$49.98);  $t(89) = 0.968$ ,  $p = 0.336$ . However, a

significant difference was found in the savings participation rate between School A ( $M = 41$ ), and School B ( $M = 25$ );  $t(115) = 6.158$ ,  $p = 0.00$ .

## Discussion and Implications

The study reported here explored whether young children from a resource-limited community are capable of saving money if parts of the community system are brought together to support the effort. The findings suggest the following.

1. Despite the high unemployment rate in the community and difficult economic times, young children from a low-income school district have the capacity to save when given the opportunity to do so (Schreiner & Sherraden, 2005). Partnerships between the university, credit union, and school made it possible to make opening of a savings account feasible and saving on a regular basis accessible. Ninety-one out of 118 children (77%) made at least one deposit. These children were each able to save an average of \$34 in nine months, and altogether, they saved a total of \$4,009 during the school year.
2. A significant difference was found in the number of children making deposits each month at School A (which focused only on 3rd graders, with their teachers informally incorporating financial literacy content in the classrooms) compared to School B (which had the savings opportunity dispersed throughout all grades but had no classroom or curriculum support).

The significance of the first finding is self-evident: low-income children can and do save when the opportunity is made available and barriers are removed. However, feedback from the parents indicates that if this project had not been started, they were unlikely to open a savings account for their children, nor would they have helped their children to save money regularly. The significance of the second finding rests upon the idea that it is not so much the amount saved that is significant but that the building of the savings habit at a young age is important (Supon, 2012).

The support the children at School A received (e.g., talking about saving as part of the class curriculum and reminders in the classroom about deposit days) increased the children's likelihood of making deposits when compared to School B. It is also possible that the idea of "we are saving together as a class" contributed to the higher rate of participation in School A classrooms compared to the more isolated nature of savers in School B.

This project highlights the important role that an Extension educator played as a community organizer. By organizing the community partners (the local credit union, the public school, the local funder), the Extension educator was able to make it possible for young children in a rural school district to start a savings account and to save money regularly despite challenging economic times. By overcoming numerous barriers (providing seed money to open accounts; enabling lower initial deposit amount; arranging for monthly deposits at school), the Extension educator succeeded in making savings accounts available to children who otherwise might never had this opportunity. Hence, the value of an Extension educator with close ties to a community—schools, families, local businesses—cannot be overstated.

The value of this effort is greater than merely demonstrating that young children from resource-limited

communities have the capacity to save. Perhaps of more importance than the dollars saved is how this opportunity created the habit impact that resulted from enabling young children to start a savings account and to save money regularly.

Such programs can help in developing the values of thrift and regular savings. This can be especially valuable for children from lower income families who are less likely to have such important opportunities that can start them on a path to financial independence and stability.

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