



REPORTING ON IMPACT

START2SAVE PILOT
OPPORTUNITY FUND REPORT SERIES

JULY 2015

JENNA BOYER
OPPORTUNITY FUND EVALUATION OFFICER

 **ppportunity**
Fund working capital
for working people

COMMITMENT TO IMPACT

Opportunity Fund is driven by the idea that small amounts of money and the right financial advice can help close the opportunity gap for working families. As a leading microfinance provider, we have a strong history of developing innovative products and services to meet the unique needs of those we serve. We are also committed to excellence in evaluation, measuring the impact of our work and leveraging what we learn to improve our programs and better serve our clients. We do this by partnering with third-party researchers who employ rigorous methods to measure the financial and behavioral outcomes of our work.

Through our *Reporting on Impact* series, Opportunity Fund documents and disseminates findings from our evaluation work to a broad community of stakeholders. Our goal is to promote discussion and advance advocacy and innovation in the microfinance and asset-building fields.

In 2011, Opportunity Fund launched **Start2Save**, a groundbreaking matched savings program designed to help working families take the first step toward financial stability by building a savings habit and an emergency fund. Extrapolating from existing behavioral economics research, we hypothesized that these savers would gain not only greater financial stability, but also a greater sense of security, a better ability to set goals, and an improved outlook on life. Four years later, we are pleased to share key findings from an independent, longitudinal evaluation of the first **Start2Save** cohort of clients, conducted by researchers at the University of Kansas, as well as critical lessons we learned along the way about how to maximize **Start2Save**'s reach, delivery, and impact.

We hope you find this report informative and, as always, we welcome your questions and input about our work.

Warmly,

A handwritten signature in black ink, appearing to read 'EW', with a stylized flourish at the end.

Eric Weaver, CEO



EXECUTIVE SUMMARY

Launched in 2011, Opportunity Fund's *Start2Save* is a unique matched savings program designed to help very low-income families prevent, manage, and recover from financial emergencies. By focusing on the fundamentals of emergency savings, *Start2Save* helps households with very limited resources and no financial buffer build a rainy day fund, putting them on the path to economic stability and mobility.

Start2Save breaks new ground by applying the proven model of matched savings to address a fundamental need—emergency savings. From the outset, Opportunity Fund was committed to rigorous evaluation of participant outcomes — both to assess the program's impact and to create a feedback loop in order to ensure continuous improvement in meeting the needs of our clients. Together with our research partner from the University of Kansas, Opportunity Fund tracked participants' savings behavior,

attitudes about saving, and confidence levels over time, while continuing to enhance the design and delivery of this innovative savings product. **Our evaluation revealed that participants adopt a longer time horizon when thinking about money, experience a newfound sense of security and a changed mindset around saving, and develop greater optimism and confidence through participation in *Start2Save*.**

Opportunity Fund believes that thorough, independent analysis is critical to the advancement of microfinance in the U.S. This report summarizes the findings from our comprehensive, longitudinal evaluation of *Start2Save* and reflects on the program's ongoing development as a model for promoting financial health for vulnerable families. We are pleased to share our research findings, best practices, and lessons learned with our partners, supporters, and the broader asset-building field.

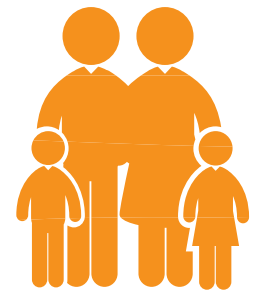
THE SAVINGS GAP

Low-income families struggling to meet basic needs have little or no financial buffer, leaving them vulnerable to unexpected expenses such as a car repair or a medical bill. Nearly three-quarters of low-income households do not have sufficient savings to cover a \$500 emergency¹. In the event of a financial shortfall, these households are more likely to turn to alternative, high-cost credit (such as payday loans), which can, in turn, compound the financial challenges they face.

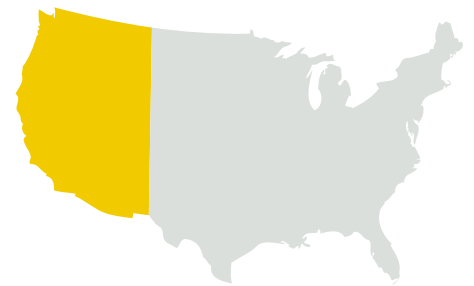
Joblessness, underemployment, and job instability create further financial strain. More than 20% of California jobs are low-wage, and the state has one of the highest rates of underemployment in the nation². Unpredictable income makes it difficult for working families to manage household cash flow, much less set money aside for a rainy day.

This lack of buffer savings makes it very difficult for low-income families to prevent crises and manage emergencies when they occur. Moreover, the ongoing stress of finding ways to cover unexpected expenses keeps many low-income families from thinking about and setting longer-term financial or personal goals.

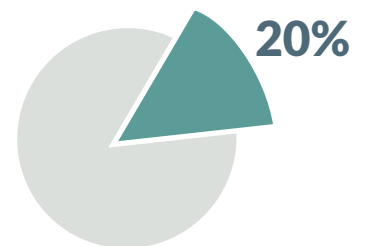
Although programs exist to help low-income families save, most focus on saving for longer-term assets such as a home purchase, a small business capitalization, or a college degree. Without buffer savings, however, low-income families often lack the financial stability to prepare for these longer-term goals. Launched in 2011, Opportunity Fund's *Start2Save* initiative is the first program to provide training and incentives to help low-income families build a rainy day fund — the critical first step on the path to financial stability.



1 in 4 Bay Area families does not earn enough to cover basic housing, food, healthcare, and transportation costs³.



Less than 1/2 of all Americans have enough savings to cover a \$500 emergency⁴.

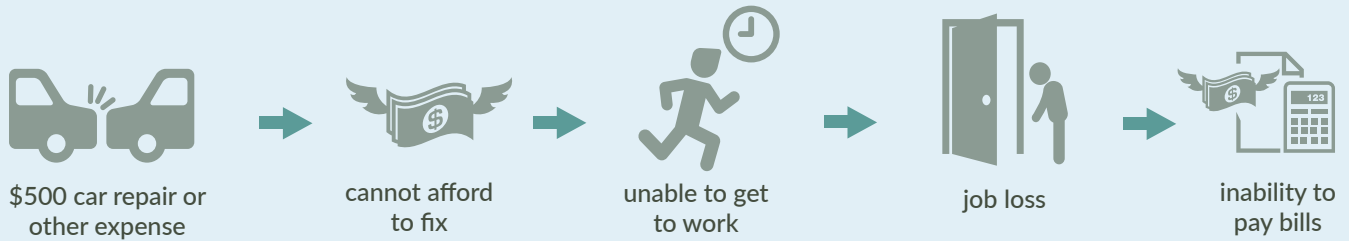


More than 20% of jobs in California are low-wage, often with unpredictable hours.

START2SAVE: CLOSING THE GAP

PARTICIPANT PROFILE

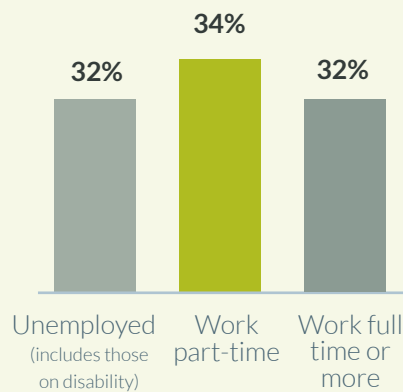
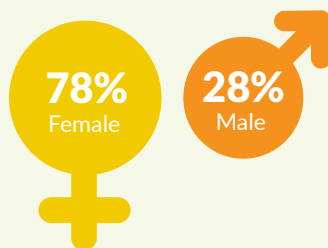
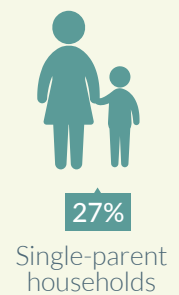
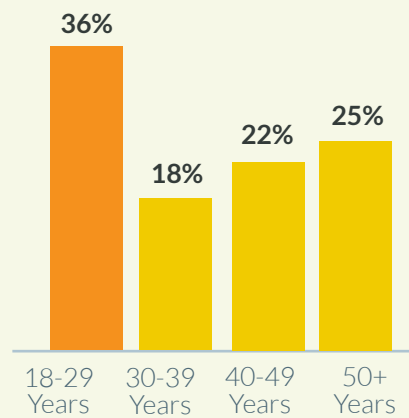
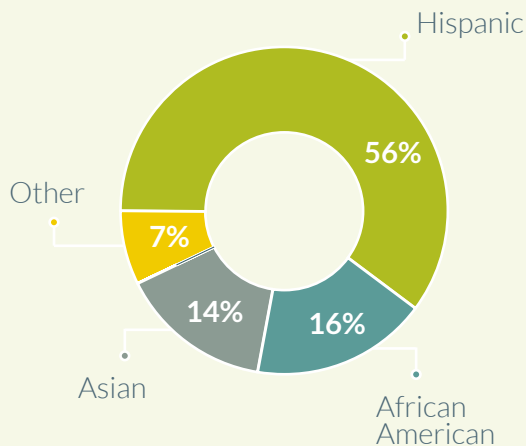
No buffer savings:



With buffer savings:



DEMOGRAPHIC PROFILE



A SAVINGS INNOVATION

Start2Save is a matched savings program designed to help clients establish a regular savings habit and build \$1,500 in emergency savings. Start2Save's groundbreaking features include:

- **Non-traditional Asset:**
Start2Save is based on the idea that a rainy day fund is a transformative asset because it provides both liquidity to address financial emergencies and security to allow participants to plan for the future.
- **Attainable Goal:**
The \$500 savings goal—achieved with monthly deposits of \$20—is within reach for *Start2Save's* low-income target population. The 2:1 match means that participants graduate with enough in their rainy day fund to address many common financial emergencies⁵.
- **Flexible Use of Funds:**
Start2Save allows participants flexibility and agency in determining how to use their money, rather than restricting funds for a specific purpose or timeframe.
- **Specialized Coaching:**
Savers who experience financial emergencies during the program have access to coaching and additional resources to help them stay on track. If a saver needs to use their *Start2Save* account to cover an emergency expense, the program is structured to help the client rebuild their savings, rather than exit the program.

THEORY OF CHANGE





Start2Save gets back to basics by helping low-income households save for emergencies.

Individual Development Accounts (IDAs) are a proven strategy to help families build a long-term savings habit and learn smart money management skills⁶. However, IDAs have historically been designated for a limited set of assets – a home, an education, or a small business. Many working families who could benefit from financial coaching and regular savings are simply are not in a position to think about going back to school or starting a business. And the high cost of real estate in the Bay Area puts homeownership out of reach for most low-income households.

As a national leader in IDAs since 1999, Opportunity Fund saw a pressing need for a new kind of matched savings product to address the particular challenges of the most financially vulnerable families. Opportunity Fund has a strong track record of innovation, including pioneering the use of IDAs for “non-traditional” assets through our *Saving for Citizenship* initiative. Building on our experience and expertise, we assembled a coalition of partners and funders to launch *Start2Save* in 2011. The goal of this savings product was to get back to basics by helping low-income households save for emergencies.

Financial Education



Regular Savings Deposits



Matching Funds



Greater Financial Stability



START2SAVE OUTCOMES: EVALUATION FINDINGS

Opportunity Fund partnered with researchers at the University of Kansas School of Social Welfare (KU) to evaluate outcomes for *Start2Save*'s first cohort of savers, tracking changes in financial behaviors, attitudes, and self-efficacy (See page 14 for detailed methodology). The data gathered by KU has been supplemented by ongoing surveys and interviews. *The findings from these collective efforts reveal measurable changes in participants' financial self-sufficiency between program enrollment and completion:*

FINANCIAL BELIEFS & BEHAVIORS

Program graduates consistently report higher levels of confidence in their ability to save than new participants.



Savers show a significant shift toward a longer time horizon when thinking about money. 41% of **graduates** think about the next year or beyond when managing their money, compared to just 21% of participants at **intake**.



***Start2Save* produces an increased propensity to save.** 87% of **graduates** reported they would save, rather than spend, an unexpected windfall, compared to 66% of participants at **enrollment**.

“A small period of time and a small lump sum of money really helped me change my savings habit.”

- Chris

Graduates are reluctant to spend savings.

One of our strongest findings was that participants are reluctant to use their *Start2Save* funds because of the sense of security they provide.

The mindset around saving changes.

Once savers began to experience the satisfaction of saving successfully, matching funds became less important as an incentive to participate.

Enrollees use more financial services.

Many savers used ATMs or automatic deposits for the first time and expressed interest in using other financial instruments.

“I reached my goal – now I can reach more!”

- Bianca

FINANCIAL BARRIERS

Savers reported lower levels of **economic strain**⁷: When asked about their ability to meet certain household expenses, the proportion of savers reporting adequate resources increased by between 5% (for transportation) and 17% (for medical expenses)⁸.

Despite an overall decrease in economic strain, savers still **faced significant barriers to saving**. Nearly half of graduates reported inadequate resources to pay for at least some basic necessities.

PERSONAL EMPOWERMENT

Savers reported increased feelings of hopefulness, increased independence, and a more **positive outlook** as a result of their participation in *Start2Save*.

Start2Save graduates report **higher levels of self-efficacy**⁹, that is, a greater sense of control over their own lives, than new enrollees¹⁰.

Start2Save provides a new sense of security for participants.

The concept of “**emergency prevention**” is hard to **grasp** for many participants. Savers tended to frame their savings as meant for a future purpose rather than as a buffer against the unknown.

PROGRAM OUTCOMES



600+ accounts opened



80% of savers reach their goal and graduate



\$990,000+ in savings + match earned to date



58% continue to save in their account after graduating

IMPLEMENT, EVALUATE, MODIFY, REPEAT

In implementing a new approach to helping low-income families work toward financial stability, we knew that Start2Save would bring both challenges and surprises. Opportunity Fund has assessed Start2Save at regular intervals, making adjustments when needed to better meet the needs of clients.

1 Program Messaging

We learned early on that saving for emergencies was not a compelling “pitch” to our target population of low-income individuals and families. In particular, younger adults were excited about the chance to build savings, but less receptive to the idea of “emergency” savings. Using specific examples of financial emergencies — such as a medical bill or a rent increase — helped potential clients make the connection between *Start2Save* and the state of their financial lives. Over time, we refined messaging around “everyday savings” rather than “emergency savings,” focusing on the positive aspects of saving and the flexibility of having a rainy day fund.

2 Security and Aspirations

While the security and flexibility of a rainy day fund can be transformational, many clients wanted to save for a more specific goal. Similarly, our community partners told us that they hoped to promote their clients’ aspirational goals. A “one size fits all” approach to emergency savings actually didn’t fit anyone well. (Read more about our partnership model on page 12.)

In response to this partner and client feedback, Opportunity Fund modified the design of *Start2Save* to encompass both **security** (through emergency savings) and **opportunity** (through savings for a life goal, such as secure housing, citizenship, education, or retirement). Clients who reach their \$500 emergency savings goal receive matching funds to invest in one of these aspirational goals. This behaviorally informed strategy helps clients bridge the gap between economic survival and financial mobility.

3 Just-in-time Financial Coaching

Start2Save lets savers address financial emergencies during program participation without leaving the program. More importantly, financial emergencies can provide a significant learning opportunity, as case managers help clients renegotiate with a lender or refer clients to other resources, such as assistance with housing or utility bills. If a saver does have to use their *Start2Save* account to cover an unexpected expense, the program is structured to help the client rebuild their savings. In this way, the program empowers participants to find solutions to their financial challenges and build a long-term savings habit.

4 Need for Graduate Services

Savers expressed a desire for post-graduation support once they reached their savings goal. Graduates face the risk of a “savings cliff” when they no longer receive coaching and support. In response, the program has introduced additional features to support graduating savers, including:

- A coaching session to help clients set new savings and credit goals as they near program completion.
- The opportunity to sign up for automated savings deposits and text message reminders to support ongoing savings.
- Referrals to other financial products and services.



“Asking a single mother in transitional housing to save just for emergencies didn’t make sense. She was already living her emergency. She needed a chance to save for a rental deposit.”

– Eric Weaver, CEO, Opportunity Fund



PARTNERSHIP

Start2Save is built on a foundation of strong community partnerships: We reach our target population by partnering with local organizations that serve vulnerable families. By piloting partnerships with a range of community agencies, we have identified several key criteria for success:

- 1 *Start2Save* works best when the savings product can be seamlessly integrated into a partner's existing financial programming.
- 2 Each of our community partners serve clientele with a unique set of needs, which means a "one size fits all" approach to emergency savings doesn't work. *Start2Save* is now designed to fit into our partners' program offerings, rather than the other way around.
- 3 We leverage the closest relationship our clients have, which is with the partner service organization. It takes time to build trust, so partner organizations lead outreach and enrollment for *Start2Save* with support from Opportunity Fund. This model also allows for greater operational efficiency, increasing *Start2Save's* scalability.
- 4 Our partners best understand their clients' needs and motivations, which makes them the most qualified to assess eligibility and readiness for the program.

Financial Partner

As the financial institution that holds all of our *Start2Save* accounts, Citi is a critical program partner.

MEET REGINA

Regina is one of *Start2Save*'s first savers, entering the program in 2011. As a single mother working and going to school, she often fell short on bills and overdraw her bank account. She didn't believe she had enough money to save anything. "Every month I faced another bill I couldn't pay. I wanted a way to take control."

Through *Start2Save*, Regina learned to create a budget and set goals for the future, and she began setting aside \$42 each month. Within a year, she had reached her \$500 goal and received \$1,000 in matching funds. At the same time, her family moved into a new home through Habitat for Humanity.

Today, Regina feels a sense of control over her finances and her future. She plans her spending each month and feels prepared — both financially and emotionally — to confront the unexpected. "I feel very confident financially," Regina says. "Before, I was thinking about it, but I was not doing anything about it. Now, I can plan for the short term and the long term."

When Regina stopped work to have a baby, she experienced a temporary loss of income. Luckily, she had her savings to cover expenses during this time. When she went back to work, she went right back to saving and replenished her account. She continues to save every month and is making regular on-time payments to reduce her debt.

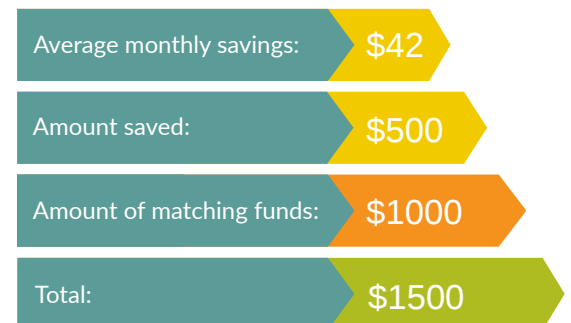
Regina has become an advocate for *Start2Save*, encouraging her friends and neighbors to sign up. She is also teaching her children about the importance of saving, including her 17-year-old daughter, who recently enrolled in *Start2Save* to learn financial independence as she applies for college.

Watch a video about Regina's saving experience at bit.ly/19hUKRA.



“BEFORE, I WAS THINKING ABOUT IT, BUT I WAS NOT DOING ANYTHING ABOUT IT. NOW, I CAN PLAN FOR THE SHORT TERM AND THE LONG TERM.”

START2SAVE ACCOUNT FAST FACTS



EVALUATION METHODOLOGY

Opportunity Fund partnered with Deborah Adams, Ph.D., University of Kansas School of Social Welfare, to conduct a longitudinal evaluation of *Start2Save*'s first cohort of savers. Dr. Adams is a leading qualitative researcher in the asset-building field.

The multi-year evaluation included client surveys^{11,12}, focus groups¹³, and in-depth interviews¹⁴ with *Start2Save* clients who enrolled in the program between April 2011 and June 2012.

Surveys

A three-page survey was administered to 95 *Start2Save* clients at the time of (or very soon after) program enrollment. One to two years later, as participants reached their savings goal, they completed the survey a second time. Surveys were kept confidential and sent to KU for analysis. A total of 77 participants completed both surveys.

The survey asked clients about their financial situation, their beliefs and attitudes about saving, their ability to afford the things they need, and their self-efficacy. The

survey also included questions about employment and housing stability.

Focus Groups

Start2Save enrollees were invited to participate in a focus group during their first year of saving. KU researchers conducted four focus groups in Opportunity Fund's office in 2012 (two in January and two in June); a total of 17 *Start2Save* participants attended. The focus groups covered topics relating to savers' experiences in the program and were structured to allow free-flowing discussion.

Interviews

Nine savers participated in in-depth interviews conducted by Dr. Adams and her research team in 2013. The interviews lasted from 25 to 60 minutes and were audio-recorded, transcribed, and coded by a team of three researchers. The interviews were designed to gain a deeper understanding of participants' experience in *Start2Save*, exploring their financial emergencies, discovering how they conceptualized financial emergencies, and learning about their experience as first-time savers.

"Sometimes life feels like you're walking next to a cliff, but a little bit of savings means that it's ok if you fall, because there's some padding right there." – Teran



THANK YOU TO OUR SUPPORTERS

Opportunity Fund wishes to thank the funders whose sustained commitment has made it possible to pilot and refine *Start2Save*, evaluate its impacts, and publish this report.

Citi
Walter & Elise Haas Fund
Franklin & Catherine Johnson Foundation
W.K. Kellogg Foundation
Sand Hill Foundation
Y&H Soda Foundation
United Way Silicon Valley

NOTES

1. Brobeck, Stephen (2008). The Essential Role of Banks and Credit Unions in Facilitating Lower-Income Household Savings for Emergencies.

Consumer Federation of America. <http://bit.ly/18kH9YO>

2. In a ranking of 50 states and Washington, DC, California's underemployment rate ranked 50th. Source: CFED (2015). Assets and Opportunities Scorecard for California. <http://scorecard.assetsandopportunity.org/latest/state/ca>

3. The Family Economic Self-Sufficiency Standard measures the minimum income necessary to cover all basic expenses of non-elderly (under 65 years old) individuals or families – housing, food, child care, health care, transportation, and taxes – without public or private assistance.

Source: Insight Center for Community Economic Development (2014). <http://bit.ly/1ltbrvM>

4. Bell, Claes (2015). Budgets can crumble in times of trouble. Bankrate. <http://bit.ly/1Bluc3D>

5. Low-income households typically perceive their emergency savings needs at about \$1,500 annually; actual annual emergency expenditures for this population average around \$2,000.

Source: Brobeck, Stephen (2008). The Essential Role of Banks and Credit Unions in Facilitating Lower-Income Household Savings for Emergencies.

Consumer Federation of America. <http://bit.ly/18kH9YO>

6. See, for example: Loibl, C., Grinstein-Weiss, M., Zhan, M., & Red Bird, B. (2010). More Than a Penny Saved: Long-Term Changes in Behavior Among Savings Program Participants. *The Journal of Consumer Affairs*, 44, 98-126.

7. The Economic Strain Scale asks respondents to rate their ability to meet their needs using a scale of seven items.

Source: Pearlin, L.I., Menaghan, E.G., Lieberman, M.A. & Mullan, J.T. (1981). The Stress Process. *Journal of Health and Social Behavior*, 22, 337-356.

8. On a 28-point scale, where a higher score indicates lower strain, the average economic strain score at enrollment was 15.79 and the average score at graduation was 17.29 (N=77).

9. The Self-Mastery Scale, or self-efficacy, asks respondents to agree or disagree with seven items. It is used extensively in social science to measure people's sense of control over their own lives.

Source: Pearlin, L.I., & Schooler, C. (1978). The Structure of Coping. *Journal of Health and Social Behavior*, 9, 2-21.

10. On a 28-point scale where a lower score indicates better self-efficacy, the average score at enrollment was 21.15 (N=95) and the average score at graduation was 13.92 (N=77).

11. Adams, D. & West, S. (2014). Start2Save Research for Opportunity Fund: Final Start2Save Survey Findings. Lawrence, KS: School of Social Welfare, University of Kansas.

12. Adams, D. (2015). Start2Save Research for Opportunity Fund: March 2015 Addendum to Final Start2Save Survey Report. Lawrence, KS: School of Social Welfare, University of Kansas.

13. Adams, D. & Wittman, L. (2012). Focus groups with Start2Save participants: Preliminary research report for Opportunity Fund. Lawrence, KS: School of Social Welfare, University of Kansas.

14. Adams, D., West, S., & Marquez, C. (2014). Start2Save Research for Opportunity Fund: Findings from In-Depth Interviews with Participants. Lawrence, KS: School of Social Welfare, University of Kansas.

About Us

Opportunity Fund is California's leading microfinance nonprofit organization. Our microfinance programs are supported by donors from the community whose contributions help to fund loans, provide savings accounts, and build stronger families and vibrant neighborhoods. Since 1994, Opportunity Fund has directed \$100 million in microloans and microsavings to help more than 8,000 Californians.

Mission

To advance the economic well-being of working people by helping them earn, save and invest in their future.



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 **ppportunity**
Fund working capital
for working people