A Much Closer Look:

Enhancing Savings Counseling at Financial Empowerment Centers

Cities for FINANCIAL EMPOWERMENT Fund

A Much Closer Look:

Enhancing Savings Counseling at Financial Empowerment Centers

Cities for FINANCIAL EMPOWERMENT Fund

February 2018

Acknowledgements

The Cities for Financial Empowerment Fund (CFE Fund) thanks Capital One and Kimberly Allman, their Director of Community Development Banking, for funding this research and for their ongoing support of municipal financial empowerment initiatives. In addition, the CFE Fund thanks the City of Nashville and the City of Philadelphia for their enthusiastic participation in this pilot. The Financial Empowerment Center managers and counselors in each city provided thoughtful feedback at every stage of the pilot. They were: John Murphy, Senior Advisor for Economic Inclusion in the Office of Nashville Mayor Megan Barry; Brandi Ghergia, Senior Manager for Community Impact and Financial Stability, United Way of Metropolitan Nashville; William Hall, Financial Empowerment Program Manager in the Philadelphia Office of Community Empowerment & Opportunity; Elaine Jones, Senior Counseling Manager, and Kimberly Rogers, Team Lead at Clarifi. Thanks to pilot counselors Elena Maldonado, Alan Nesbitt, and Lorraine Obelcz in Philadelphia, and Erin Akery, Ryan Ellis, Sabrina Francis, and Kathy Payne in Nashville. The CFE Fund is also thankful for the FEC clients in Nashville and Philadelphia who participated in Photovoice, a participatory research method that informed the our savings research. Some of their photos appear in this report.

The CFE Fund also would like to thank the members of our advisory group, who provided critical guidance and information on current thinking about savings. They include: Fiona Grieg, JPMorgan Chase & Co., Director of Consumer Research; Sarah Halpern-Meekin, University of Wisconsin – Madison, Assistant Professor, Department of Human Development and Family Studies; Clinton Key, The Pew Charitable Trusts, Research Officer; Gretchen Lehman, Sharon Henderson, Tehmina Mall, Tiffany McCormack, Cassie Russell, and Erica Zielewski; Genevieve Melford, U.S. Consumer Financial Protection Bureau, Senior Financial Education Research Analyst; Leigh Phillips, EARN, President and CEO; and Jade Shipman, Director of Research & Innovation (former); Tyler Phillips, Finhabits, Director of Partnerships and Social Impact; Jose Quinonez, Mission Asset Fund, CEO; and Mohan Kanungo, Director of Programs & Engagement; Sarah Rankin, Local Initiatives Support Corporation, Senior Research Associate (former); Rachel Schneider, CFSI, Senior Vice President; and Thea Garon, James Schintz, and Stephanie McKeiver; Guy Stuart, Microfinance Opportunities, Executive Director

This report was written by CFE Fund Principals Nicky Grist and Katie Plat. Sarah Marrara provided extensive consulting support, including data system modifications, system troubleshooting, and quantitative data analysis.

ABOUT THE CITIES FOR FINANCIAL EMPOWERMENT FUND

The CFE Fund supports municipal efforts to improve the financial stability of households by leveraging opportunities unique to local government. By translating cutting edge experience with large scale programs, research, and policy in cities of all sizes, the CFE Fund assists mayors and other local leaders to identify, develop, fund, implement, and research pilots and programs that help families build assets and make the most of their financial resources. For more information, please visit www.cfefund.org or follow us on Twitter at @CFEFund.

ABOUT CAPITAL ONE BANK

Capital One Financial Corporation, headquartered in McLean, Virginia, is a Fortune 500 company with branch locations primarily in New York, New Jersey, Texas, Louisiana, Maryland, Virginia, and the District of Columbia. Its subsidiaries, which include Capital O ne, N.A., and Capital One Bank (USA), N.A., offer a broad spectrum of financial products and services to consumers, small businesses and commercial clients through a variety of channels. Capital One applies the same principles of innovation, collaboration and empowerment in its commitment to its communities across the country that it does in its business. Capital One recognizes that helping to build strong and healthy communities — good places to work, good places to do business and good places to raise families — benefits us all, and Capital One is proud to support this and other community initiatives.

Capital One
INVESTING *for* Good

Table of Contents

Executive Summary

Building savings is a fundamental strategy for empowering individuals and families with low incomes. Even relatively small amounts of savings can serve as a buffer against inevitable financial shocks that can otherwise undermine social service efforts and successes – and short-term savings offer realistic first steps toward building longer-term savings and acquiring assets. The Cities for Financial Empowerment Fund's (CFE Fund's) Financial Empowerment Center (FEC) model, which offers one-on-one financial counseling as a free public service, posits savings as one of four key financial stability focus areas. Notably, the CFE Fund's recent FEC evaluation, as well as counselor feedback and research from the field, raised the opportunity to explore whether FEC approaches might be overlooking critical nuance in achievements clients and counselors made toward savings.

With generous support from Capital One, the CFE Fund conducted a research pilot at municipal Financial Empowerment Centers to better understand how FEC clients are saving and inform new savings indicators for financial counseling success. From May to November 2017, financial counselors in Philadelphia and Nashville tested an innovative approach to defining, discussing, and tracking their clients' efforts to build savings. The expanded savings outcomes revealed three times as many successful client outcomes as would have been traditionally measured. Moreover, pilot clients set aside more funds for the future than 2016 comparison group clients: 20% of multi-session pilot clients, compared to just 12% of comparison group clients, achieved the traditional FEC savings outcome of saving at least 2% of annualized monthly income, strongly suggesting that the pilot's focus on savings goals, activities, and behaviors might help people save more and make financial counseling more effective.

The three goals of this pilot were to: operationalize the field's best thinking about how low-income people save, to tell a more complete story about the impact of financial counseling, and to learn whether changing a program's data system affects the way financial counselors work and the results their clients achieve.

The CFE Fund started the pilot with a scan of recent research, interviews with field leaders, and a survey of FEC counselors in five partner cities. With the CFE Fund's guidance, the Nashville and Philadelphia FECs engaged clients in a participatory research method called Photovoice, in which participants answer questions by taking photographs and discussing the images. Informed by this research, and working closely with FEC managers, the CFE Fund tested the following enhanced savings outcomes:

- client sets aside more for the future, or has more set aside for the future;
- client achieves savings goal target amounts, or uses savings towards their goal purposes; and
- client adopts at least one of eight new savings behaviors.

> ***The pilot has positioned counselors to be more intentional, specific and focused on discussing savings with their clients. The pilot has allowed for more robust and complete conversations about what savings means and how clients should be thinking about their financial goals.***
>
> *– FEC manager*

The pilot showed that the enhanced outcomes painted a more complete picture of clients' savings efforts and achievements. Tracking additional, more nuanced outcomes revealed that FEC clients are doing more to build their savings than previously reported, and gave both clients and counselors more successes to celebrate. While more research over a longer time period would be needed to fully understand impact, key pilot findings included:

- In total, counselors reported that clients achieved **three times as many savings outcomes** as would have been seen before. Tracking the flow of funds into savings vehicles revealed **36% more successful savings outcomes** than would have been captured with the traditional 2% yearly net focus.

- Compared to clients in the previous year, **67% more pilot clients** (20% versus 12% in comparison year) **achieved the traditional FEC savings outcome** (increasing savings by at least 2% of income), and **clients in the pilot also set their personal savings goals 50% higher** – their median goal was 3%, but goals ranged up to 52% of income.
- In addition to outcomes based on dollar amounts saved, the pilot found that **almost half of clients adopted a range of new savings strategies.**
- The average **number of savings sessions per client increased by 30%, and more than twice as many (124% more) savings clients returned for multiple sessions**, compared to the 2016 comparison group.
- Perhaps most significantly, **the pilot demonstrated that changing a program's data model does affect the way financial counselors work and the results their clients achieve.** Pilot counselors spent more time on average discussing savings with their savings clients than they had previously, and achieved greater results.

Taking a more expansive view of savings amounts and locations, and recording clients' savings goals and behaviors, helped both counselors and clients to work more productively and successfully together in financial counseling.

Moving forward, these pilot savings outcomes will inform how the CFE Fund thinks about and measures savings successes at the FECs.

"I build my savings by reminding myself of my long term safety net… If I don't put anything in it there will be nothing there when I need it."

–Photovoice participant

How Financial Empowerment Centers Traditionally Measure Savings

Municipal Financial Empowerment Centers (FECs) provide free, professional, one-on-one financial counseling as a public service. The model is based on four core tenets: First, people in financial trouble need individualized help, not just education, to deal with the complex issues and barriers that keep them from financial stability. Second, they should receive high-quality services from a professionally trained counselor. Third, city government is a trusted voice for residents amidst a sea of scams and complicated financial choices, and a natural convener of partners who can enhance program sustainability and offer services at scale. Finally, financial counseling is a natural fit with other social services, which can be coordinated through referrals or integration partnerships. The model was first piloted in New York City in 2008, and has since been replicated in additional cities across the country; the CFE Fund is continuing to grow this model through its FEC Public platform.

As a public service, the FEC model emphasizes accountability through data-driven management that focuses on outcomes designed to represent real changes in clients' financial stability. These outcomes were based on the experience of the New York City Department of Consumer Affairs Office of Financial Empowerment (NYC OFE), which initially designed the FEC model to focus on four "service plans" (banking, credit, debt and savings) based on existing best practices within the field. The outcomes represent levels of achievement that were found to be both significant (in terms of their potential to positively affect clients' financial health) and achievable (in terms of the typical time frame for participation and baseline financial characteristics of clients).

NYC OFE had originally defined its savings outcome as a $250 increase, but soon recognized that a proportional approach was more suited to a program with open eligibility and widely diverse clients. Therefore, based on early data about FEC client savings, it changed the outcome to an increase of at least 2% of annualized monthly after-tax income within a program year, or enough to replace approximately one week's lost income. In addition, because a goal of financial counseling is to change the client's long-term behavior, a second savings outcome was defined for clients who were not saving at intake: establish and maintain a regular savings habit for three months.

When beginning the replication of this model in 2012, the CFE Fund chose to continue measuring client impact and counselor progress in the savings service plan with these outcomes.

Five cities (Denver, Lansing, Nashville, Philadelphia, and San Antonio) launched FECs in 2013 with technical support and three-year grants from the CFE Fund, supported by Bloomberg Philanthropies. After the grant period ended, all five cities continued offering FECs as public services, replacing the initial private funds with a combination of municipal, federal, and philanthropic sources.

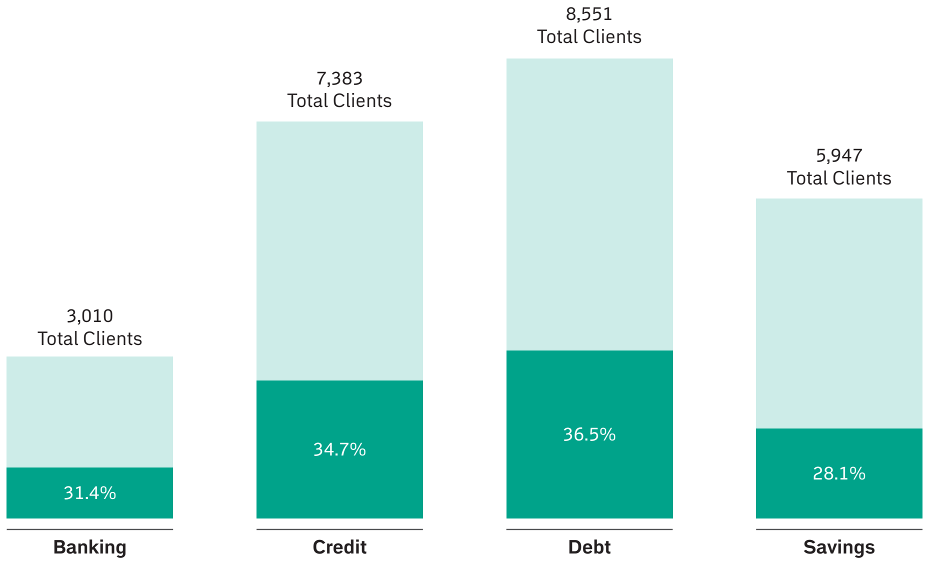
The CFE Fund evaluated the replication initiative, looking at client data from March 2013 through September 2015.[1] The evaluation showed that clients were less likely to increase savings than make other financial improvements, that counselors were aware of these differences, and that the way that the savings outcome was constructed was potentially obscuring or limiting client success.

Together, the five cities served over 22,000 people, predominantly with very low incomes and myriad financial challenges. Over 15,000 people reported trying to increase their savings, and with help from their financial counselors, 1,672 people ended the study period with more savings than when they began. As displayed in Table 1, this represents 28.1% of multi-session clients working on savings: in comparison, 31.4% of similar clients opened bank accounts, 36.5% decreased their debt levels, and 34.7% established credit or increased their credit scores. On average, clients' savings increased by $1,634 (median $400), for a total of $2,731,922 saved during the evaluation period.

Of those who increased their savings at all, 52% increased their savings by at least 2% of their income between their first and last counseling session.[2] Again, clients achieved more success in other outcomes:

among clients whose credit scores increased, 60.3% increased their score by the target threshold of at least 35 points; among those who reduced debt, 72.4% met or passed the threshold of at least 10% debt reduction.[3]

Table 1: FEC Evaluation: Client Outcome Achievement



Counselor interviews and client focus groups similarly revealed that clients had more success in achieving banking, credit, or debt outcomes than savings outcomes. Counselors commented that savings outcomes were the most challenging to achieve. Some counselors saw clients' low incomes and material constraints as barriers to saving; others identified clients' unwillingness to change behaviors and difficulties developing savings habits. Many counselors reported prioritizing credit and debt outcomes, because those issues were most pressing for clients coming to the FEC.

Counselors were also emphatic that the savings outcome was itself limiting clients' ability to report real savings progress, and therefore missing important opportunities to reward success and build client confidence. The most common concern was that many clients saved towards purchasing an asset or paying a substantial bill; achieving their goal and improving their quality of life typically involved using their savings, at least in the short term. Since the FEC data model compared snapshots of savings taken at each client's first and last counseling sessions within each program year, the measurement likely missed savings achievements that occurred in between these sessions – clients could, in effect, "lose" outcomes.

After the evaluation, the CFE Fund conducted a savings-specific survey of financial counselors in the five FEC replication cities. The 22 counselors responding used different sources of information to populate the field labeled "Current Amount of Total Savings" in the FEC data tracking system, highlighting the complexity of defining savings.

Table 2 • How FEC Counselors Traditionally Defined Savings

How do you define savings? i.e. What is included in the amount you enter in the savings touchpoint? (Please check all that apply)

Savings account balance	95%
Retirement account balance	55%
Amounts held for client by friends, family, lending circle, etc.	50%
Other	27%
Any amount immediately available to client	18%
Any account balance	14%
Any amount available to client, regardless of time frame or restrictions	14%

As a public service, the FEC model emphasizes accountability by requiring verified documentation of all outcomes. Ninety percent of the counselors said they verify client savings with official bank statements, while fifty percent also use mobile banking or screenshots as documentation. By emphasizing formal account documentation, this accountability measure may have the unintended impact of reducing the total amount of savings reported.

Holding counselors accountable for verifying savings values may similarly have the unintended impact of reducing reporting overall. As one counselor noted, "I think a lot of our clients' savings balances go undocumented because they are constantly changing, and it is time-consuming to constantly ask for and upload documentation. Also, just because a client has $400 today, doesn't mean it will be there tomorrow, so it can sometimes feel futile to document that balance."

Any program that, like the FEC, relies on self-reported information runs the risk of not capturing relevant information if clients do not return for follow-up sessions. Several counselors noted their difficulty in obtaining timely documentation from clients: "Often, I will have [clients] screenshot and email me their balance, but that leaves it up to the client to get it done, and they sometimes don't realize the importance of showing documentation." One counselor observed that clients sometimes feel that smaller savings achievements aren't worth reporting, and are more likely to share documentation once they save a larger amount, like $500-$700: "Many of my clients feel they have something to lose at that point."

Exploring Client Savings Efforts by Measuring Different Outcomes

CONSIDERATIONS IN DEVELOPING ENHANCED SAVINGS OUTCOMES

The possibility that FECs were not fully capturing savings achievements inspired the CFE Fund to look more deeply into how best to define a savings outcome for a financial counseling program, starting with the definition of savings itself.

DEFINING SAVING AND SAVINGS

There is a wealth of research and opinion about both *saving* (a verb describing an action or behavior) and *savings* (a noun describing the result of the action of saving).

Some define the act of saving as spending less than one's income[4] while others focus on "deferral of consumption today to enable the use of funds later."[5] Some researchers count self- reported behavior (and differ in which behaviors to count),[6] while others look for empirical evidence like deposits to specific accounts.[7] Still others define saving as a pattern of related behaviors, such as "consume less than their income" then "convert from some easy-to-spend form (e.g., cash) to a more difficult-to-spend form" then "maintain their savings by resisting pressure to withdraw."[8]

Savings, what one has as a result of having saved, may be an even more contested term. It may be an increase in net worth or the difference between expenditures and income.[9] Most researchers consider money as savings, but vary greatly in where this money is held – and the variance may depend more on the researcher's resources than on actual disagreement. For example, a program that uses an app to monitor balances in a bank account can only report on that account, whereas a research team with the ability to conduct bi-weekly, in-depth interviews looked at "any activity or balances in the following tools: savings accounts, formal restricted savings accounts (e.g. health savings accounts and Christmas clubs), cash saved at home, savings groups, safe deposit boxes, using money guards, financial investments (other than retirement accounts), and loans made to friends and family."[10] Some also consider non-monetary resources, such as items that could be sold, stockpiles of goods for future use, advance- or over-payments that prevent cash from being spent on non-necessities, and investments in social capital that increase the likelihood that someone in a person's social network will provide financial support if needed in the future.

"I don't eat out as much as I did previously. I prep my food at the beginning of the week for the entire week. It's healthier and a huge savings. When I want to eat out, I can afford an experience at a nicer restaurant now, instead of going to a lot of drive-thru windows in a hurry."

–Photovoice participant

If you needed money to cover an emergency expense today, where would it come from?
"Putting off projects by using the money saved for those projects for every emergency."

–Photovoice participant

Whatever is being measured, there is also a question about when it gets measured. At any given time, the "stock," or current amount of savings, will not represent a person's overall savings activity nor whether a person uses savings appropriately. Another approach is to measure "flow," the amount added to (and withdrawn from) savings.

With such a variety of saving-related actions and behaviors, and ways to measure the value of savings, it is not surprising that any two programs seeking to help people build savings could be measuring different values and reaching different conclusions. Some programs list a wide range of savings vehicles and ask whether a person uses each one.[11] Some researchers suggest asking open-ended questions such as: 'What money do you have set aside, where and how much?' 'Is this money or expense for today or for the future?'[12]

FIELD INSIGHTS INTO POTENTIAL OUTCOMES

The CFE Fund designed and conducted a pilot to create and test new savings outcomes, starting with a scan of recent research and interviews with field leaders. In the beginning phase, the CFE Fund also guided pilot cities Nashville and Philadelphia to recruit clients to participate in a research method called Photovoice.

PHOTOVOICE – CLIENTS REFLECT ON SAVINGS

Photovoice is a participatory action research technique, through which participants answer a series of questions both individually, by taking photographs, and collectively through a discussion of the images. This approach is designed to mobilize people who otherwise may not have a say in the decisions that directly affect their daily lives.

Each city recruited FEC clients to participate and asked them to take photos and write short explanations in response to the following questions:

- How do you build savings?
- If you needed money to cover an emergency expense today, where would it come from?
- Thinking about other people you know, where do they put their savings?

In March 2017, FEC program managers at Philadelphia's Clarifi and the United Way of Metropolitan Nashville led group sessions in which participating clients and some counselors considered the significance and themes of all the photos together. In December, the Philadelphia FEC repeated the Photovoice experience with a new set of clients who had attended savings counseling during the pilot period. The nonprofit and city managers found Photovoice to be a useful, even inspiring tool.

> ***"We took the time to move through each photo and asked questions about why the participant took that photo and what each photo symbolized to them. After reviewing all of the photos we took time to look for themes and patterns. We examined the emotions that the photos invoked. We discussed the challenges to savings and what the photos reveal about those challenges. Lastly, we explored how the photos work together to tell a story as well as what was missing from that story."*** –FEC Manager

> ***"Photovoice helped us to understand where our clients were coming from in an immediate way. I would love to see it used for staff/team development."*** –FEC Manager

> ***"When I talk to public officials and other stakeholders about the Savings Pilot, I lead with describing Photovoice. Photovoice is the perfect way to talk about a vague term like 'savings'— it's a tangible representation of a client's hopes and aspirations, whatever they may be."*** –City Manager

APPROACHES TO SAVINGS OUTCOMES

Information gathered from field leaders, recent research, and Photovoice participants presented a number of options for defining a savings outcome in a financial counseling program.

More Than a Numeric Target

Notably, none pointed towards a numeric target, whether absolute (saving $250) or relative (increasing savings by 2% of income). Field leaders often preferred to see deposit activity rather than snapshot balances. Further, they often envisioned savings as activity (or balances) in a variety of savings locations, such as at home, at a financial institution, on a prepaid card, in a retirement account, or with friends and family, especially because "households may use checking accounts for savings and savings accounts for transactions."[13] One field leader also noted that dollar amounts are often less persuasive for key stakeholders than descriptions of what savings allowed people to do.[14]

Achievement of a Personal, Often Dynamic, Goal

Some sources saw "achievement of a personal savings goal" as a valuable outcome. Among them, there was general agreement that, although people have unique specific goals, most goals can be categorized as (a) shifting resources across time, planning for known expenses (short term); (b) building a cushion against unknown risk (short to medium term); (c) purchasing an asset (medium to long term); or (d) retirement (long term).[15] They also generally agreed that a savings goal has both an amount (e.g. $1,000) and a purpose (e.g. to buy a car).

Field leaders noted that savings goals are dynamic, and programs should expect to see and track changes as new goals and needs arise. Those who worked closely with low-income savers emphasized that people should not feel penalized if they need to use their savings for something other than their original goal, because the ability to use cash instead of credit to cover necessary expenses is in itself a mark of success.[16] This theme also

> ***"If LMI people aren't using their savings, what's the point? Savings is something that helps people manage their lives."***
> ***– Field leader***

emerged in Photovoice discussions. “One person shared that she wanted to buy a house but when she lost her job she became homeless. She used her savings and had to move in with family. Another participant talked about [wanting to fix] up an old garage that she keeps delaying because other things come up. Someone else talked about savings in three accounts; play, emergency and just ‘cause. When an emergency arose she had to forgo her planned play (vacation) even though she was saving diligently for it.”

Goal Setting and Other Positive Savings Behaviors

Some research findings suggested that just setting a goal in the first place could be an intermediate or prerequisite outcome, because it affects the likelihood of actually increasing savings amounts. For example, one study found that “Those who reported having some reason for saving were over six times more likely to be savers; this was the largest effect found in the study.”[17] Another found that “Households who could identify at least one reason to save were significantly more likely to save than households who did not report at least one reason to save.”[18]

> *“You have to do something. You have to be intentional. You have to think about how you are going to save, when, where and how much.”*
> *–Photovoice participant*

Many sources emphasized the act of saving over the amount saved: the adoption of positive savings behaviors could be an outcome in itself. These sources cited a wide variety of behaviors and patterns of behaviors; for example, one noted that “People who save successfully generally choose a system of saving for their goals.”[19]

Behavior was a strong theme in Photovoice as well. In both cities, most photos addressed the question “how do you build your savings” and the Philadelphia group discussion noticed that all of their photos represented habit-forming methods, such as the 52-week challenge, putting change in a jar or piggy bank, or “paying yourself” with every paycheck or monthly, like a bill. Participants observed that all of these methods were “easy” compared to things like learning the stock market or understanding complex savings and investing vehicles. However, they also observed that each method required effort, and that many involved visual cues to remind people to save, such as a jar by the nightstand, a piggy bank, or a project that needed to be finished.

Changes in Self-Perception

Some sources saw change in a person’s self-perception as a valuable outcome, which could be measured through answers to questions like:

- Do you save more now than you did before?
- Are you a saver?
- Have you made progress towards a savings goal?
- Do you feel financially secure?
- I can enjoy life because I manage money - true or false?
- Do you feel in control of your finances?
- How confident are you about handling an emergency?

Reducing Financial or Material Hardship

Finally, some sources pointed out that, for people with very low incomes like the great majority of FEC clients, the ultimate outcome of saving may be to reduce financial or material hardship. Approaches to measuring hardship are suggested by the Federal Reserve’s Survey of Economic Well-Being, which considers whether an emergency expense would make one unable to pay other bills, whether one has forgone necessities because they were unaffordable, and a list of 11 other events that may be associated with financial challenges.[20] Since people experience many hardships at potentially random times, a meaningful outcome measure might focus on changes in the frequency, duration, or number of hardships over time.

Practical Pilot Considerations

In partnership with Nashville and Philadelphia FEC managers and the city staff who oversee the FECs, the CFE Fund's program and research staff considered the feasibility and resonance of each approach to enhancing FEC savings outcome measures.

With their focus on accountability, city representatives were especially interested in which outcomes or data points would resonate with policy makers. Field leaders proposed a range of resonant outcomes, including: resilience; reduced hardship; increased workforce stability; total (but not average) changes in account balances; and more narrative descriptions of people's lives.

The nonprofit managers noted several potential challenges related to measurement and documentation that were raised in the research and seemed particularly relevant to the FECs' unlimited, open-ended service timeframes. For example, a study based on bi-weekly interviews found "households depositing five times more money on average than is reflected in the year-end balance. … households also make more than one deposit and around two withdrawals from savings and restricted savings accounts each month."[21] An international study of low-income savers observed that "the majority accumulated small sums into larger sums that then were eventually withdrawn, in full or in part."[22] These patterns suggest that, without a carefully-crafted data gathering protocol, a given FEC client's savings achievements might look high if they have a counseling appointment the day they reach their savings goal, but not if the appointment occurred two days later, after they had withdrawn the money to purchase the item they were saving for.

Another challenge surfaced by the research is that clients may not accurately remember their savings activity and balances, especially if the dollar amounts are small.[23] The research especially cautioned against using self-reported data to compare overlapping or adjacent time periods.[24]

Several experts said the FEC's emphasis on documenting savings amounts was a higher standard than most of the field. As detailed below, new outcomes may require collecting more — and more detailed — information about clients' savings. While there may be many potential supports for documentation — ranging from accountability peer groups to gamification — the strong consensus was that a high-quality counselor-client relationship is the key to encouraging clients to share documentation of their savings behavior, activity and results.

Enhanced Savings Outcomes: The Pilot

The CFE Fund collaborated with the city and nonprofit managers to take these considerations and research findings into account, creating new operational definitions and measurable outcomes for savings. "Savings" itself was defined as money, in any of 15 different places, which a client does not plan to spend in the current month.

SAVINGS LOCATIONS

- At home, separated (in envelopes, jars, etc)
- At home, not separated from spending money
- Someone else holds funds for you
- Savings circle
- Checking account
- Reloadable prepaid card
- College savings accounts for your children
- Other bank savings products such as CDs
- IRA, 401k, retirement plan
- Non-retirement investments (stock, bond, mutual fund, etc)
- Gift card (not reloadable)
- Individual Development Account
- Online or phone app
- Savings bond

The two FEC outcomes (increase savings by 2% of annual income; maintain savings habit for three months) were replaced by these enhanced outcomes.

Client sets aside more for the future, or has more set aside for the future.

This set of outcomes tracked both savings activity and savings balances. Clients were asked where they held money they did not plan to use 'this month' (they could identify multiple places); the current amount saved in that location; and how much was added to that location since the last counseling session. The data system calculated the total amount held in, as well as total amount added to, all locations. Counselors were required to review each savings location with clients at every session.

This set of outcomes was designed to capture both flow and stock, or both savings activity and savings balances. Clients could achieve the first part of the outcome, setting aside more, if the total added to all locations was greater than zero. The second part of the outcome, having more set aside, could be achieved if the total amount held at the last session was higher than the total amount held at the first session.

Client achieves savings goal target amounts, or uses savings towards their goal purposes.

This set of outcomes tracked the type and amount of savings goals that clients achieved, as well as whether goal spending played out as anticipated. Counselors asked clients to select a goal from a list

If you needed money to cover an emergency expense today, where would it come from?
"I keep extra money hidden in my kitchen because you always have to save for emergencies."
–Photovoice participant

of goal types, and then select a target amount and date for each goal; goals could be added or changed. For example, a client might set the goal of establishing an emergency fund of $500, and to do so by next month. Since the pilot was only six months long, many counselors worked with their clients on short-term, realistic savings goals. In addition, while not used in outcome calculations, the target date supported counseling: counselors could produce reports and reminders about clients who were approaching their target dates.

At each follow-up session, counselors recorded whether a goal amount had been reached and whether savings had been used toward the goal purpose, towards another purpose, or not yet used. Clients could achieve one and/or both parts of this outcome when they self-reported reaching the goal amount and/or using their savings towards the goal purpose. Since the FEC model emphasizes the importance of outcome documentation beyond self-reporting, the FEC would be credited with an outcome once the counselor uploaded relevant documentation for review by the FEC manager and potential audit by the city.

SAVINGS GOAL TYPES

- Emergency
- Upcoming bill or expense
- Home buying
- Vacation
- Special event
- Moving
- Pay debt, past due bill
- Retirement
- Child's education
- Own education
- Other

Client adopts at least one of eight new savings behaviors.

This outcome tracked whether clients adopted positive savings behaviors. Informed by the CFE Fund's initial research, the options included a wide array of potential strategies and behaviors falling into eight categories such as reducing spending or setting aside money more frequently. The outcome of adopting a behavior was defined to occur if a client (a) was not currently engaged in a given savings behavior upon entering counseling, (b) started the behavior while in counseling, and (c) continued the behavior in subsequent counseling sessions. Accordingly, only clients who attended three or more sessions could achieve this outcome.

Table 3 • Types of Savings Behaviors

Behavior	Data System Definition (Hover Text)
Spend Less	Reduce Spending: buy less expensive things Avoid Spending: don't buy things you want Follow a budget or rules about how much to spend or save
Set Aside Bigger Amounts of Money	Set aside change or a percent of each purchase Set aside windfalls or spikes in income"
Make More Money to Set Aside	Sell something you own and set aside the money Earn more (work more hours, take another job) and set aside the money Move money to higher interest accounts
Set Aside Money More Frequently	Make more deposits Get reminders to move money into savings from an app or a person
Convert Cash to Assets So it Can't be Spent	Pay in advance or buy in bulk Buy something to sell later Lend money to someone who will pay it back later Increase withholding to get a bigger tax return
Mentally Separate Spending Money from Money Set Aside for the Future	Keep funds in one place but tell yourself that certain amounts are for spending versus saving
Physically Separate Spending Money from Money Set Aside for the Future	Put cash at home in different places for spending versus saving (e.g., envelopes, jars) Use separate checking and savings accounts Use multiple savings accounts for different goals or timeframes
Set Aside Money Automatically	Use direct deposit Split direct deposit or tax refund into savings and checking Use automatic transfers into savings Use an app that automatically moves money into savings

Note: Opening a bank account is critical to savings and could be considered a 9th good savings behavior. It is not included here because of the way the FEC data system is set up.

To encourage counselor consistency in the selection of a savings behavior type over time, the CFE Fund created explanatory “hover text” in the data system, gave counselors a table of behavior definitions and, at the counselors’ request, also created a client handout about the different savings behaviors.

Many clients were already using some savings strategies when the pilot began; most commonly they were physically separating spending money from savings. This strategy could include putting cash at home into separate envelopes or jars, using separate checking and savings accounts, or using multiple savings accounts for different goals or timeframes (such as vacation accounts or retirement accounts). The pilot was conducted from May to November 2017 at the municipal Financial Empowerment Centers in Nashville and Philadelphia. A total of 305 people were included in the pilot; most clients were female (81%) and African American (62%). To better understand pilot clients’ outcome achievement, this report compares them to clients working on savings in each city during the same May – November period in 2016.

A description of the pilot clients, as well as the outcomes they achieved, is detailed below.

CLIENT PROFILE

From May to November, 2017, the Nashville and Philadelphia FECS collected demographic, financial baseline and outcomes progress information for 305 people who were working to improve their savings: 190 in Nashville and 115 in Philadelphia. To understand these clients and their outcomes in context, this report compares them to 1,617 FEC clients who worked on savings in each city during the same May – November period in 2016 (the comparison group). FEC managers in both cities confirmed that there were no substantive changes in outreach, partnerships, or counselor assignments that would have made these client groups non-comparable.

Although Philadelphia and Nashville have different citywide demographics, the demographic profile of their pilot clients were very similar: Among pilot clients, 81% were female and 62% were African American, 61% had at least some post-secondary education (including 43% with at least 4 years of college), and 61% were renters. Their ages ranged from 18 to 89 in Nashville, and from 24 to 72 in Philadelphia, with Nashville’s clients tending to be younger overall (median age 35 vs. 42).

FEC counselors conduct a detailed Financial Health Assessment (FHA) with each client at intake, and update it over time. FHA data shows divergent economic profiles for pilot clients in the two cities: Nashville clients had higher incomes and higher debt; they were more likely to work full time, but less likely to have health insurance or bank accounts.

Table 4 • Economic Profile of Pilot Clients

	Nashville	Philadelphia
Employment Status		
Full-time	79%	48%
Part-time	7%	13%
Disabled	4%	17%
Retired	2%	10%
Other	8%	12%
Income		
Median	$26,736	$21,444
Mean	$29,244	$24,696
Maximum	$109,884	$67,200
Banking Status		
Unbanked	8%	6%
Checking Account	88%	92%
Savings Account	74%	83%
Non-Mortgage Debt		
$0 debt	3%	3%
Under $5,000	22%	40%
Over $20,000	40%	31%
Credit score		
Median	617	558
Mean	601	508
No health insurance	12%	3%

These demographic and economic patterns, including the differences between the cities, were similar for clients who worked on savings during the same months of 2016, with the exception of their debt profiles. A higher percentage of clients had debt in the pilot group than in the comparison group. As noted below, during the pilot counselors were encouraged, and encouraged their clients, to think about savings as a tool for debt reduction; the data suggests that they engaged debt-focused clients in savings counseling more often during the pilot than they did before.

PILOT RESULTS: CLIENT SAVINGS ACCOMPLISHMENTS

Of the 305 pilot clients, 294 had sufficient counseling session data for analysis: 186 in Nashville and 108 in Philadelphia. The following section refers to these clients and, as above, compares them to people who had sufficient savings counseling data from May to November 2016.

In total, clients achieved 211 savings outcomes, three times as many as would have been seen before using traditional FEC outcome measures (this is in part because the pilot considered more possible outcomes). Tracking additional, more nuanced outcomes revealed that FEC clients are doing more to build their savings than was previously reported, and gave both clients and counselors more successes to celebrate. Pilot clients' achievement of these new enhanced outcomes, compared to the outcomes that would have been seen using traditional FEC outcomes, are illustrated in the table below.

Table 5: Outcome Achievement Rates During Six-Month Pilot

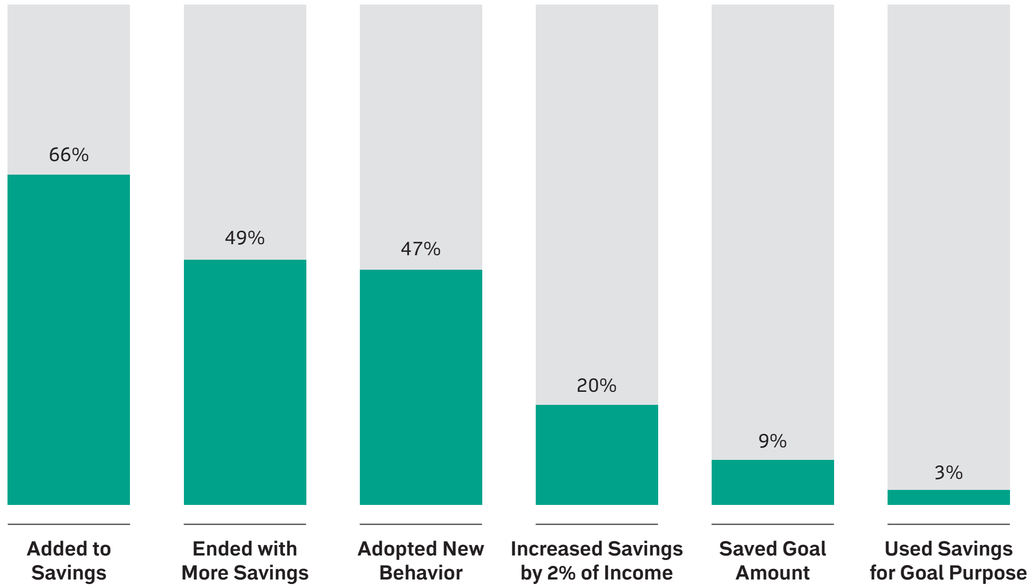


Table 6: Pilot Outcome Achievement: Enhanced Outcomes and Traditional Outcomes

Enhanced Outcomes	Number of Pilot Clients who Achieved Outcome
Added to savings	94
Ended with more savings	69
Adopted new behavior	31
Saved goal amount	13
Used savings for goal purpose	4
	211

Traditional Outcomes	
Increased savings by 2% of income	29
Maintained savings habit for 3 months*	44
	73

**not tracked for pilot, estimate based on ratio of outcomes achieved by 2016 comparison group*

ENHANCED OUTCOME SET 1: SETTING ASIDE FOR THE FUTURE

Client sets aside more for the future, or has more set aside for the future.

This set of outcomes tracked both savings activity and savings balances.

Compared to only 5% of clients during the 2016 comparison period, 32% of clients reported setting aside funds totaling $130,273 during the pilot. Among clients who set aside funds during the pilot, 59% ended with more than they began. Their average increase was $1,543, compared to an average increase of $1,040 for the comparison group. Although research suggested that people set aside funds for the future in a wide variety of locations, the majority of FEC clients reported using savings accounts.

Table 7: Amounts Set Aside For the Future by Pilot Clients

	Total Amount	Total Number of Clients
Amount Added	$130,273*	94
Total Increase	$106,454	69

	Average Per Client	
	Philadelphia	Nashville
Amount Added	$570	$2,188
Total Increase	$472	$2,711

**This figure includes a few clients who only attended one session during the pilot, but reported higher savings compared to sessions prior to the pilot. This figure also includes net increase amounts reported in the absence of amounts added – some counselors entered only the current amount in a given location without also entering the amount added to that location since the last session. This may understate the total amount added, if any of the net increase amounts include intermediate decreases.*

Table 8: Where Clients Set Aside Money for the Future

	Percent Clients Saving in Each Location			Average Amount in Location, Per Client		
Savings Locations	Philadelphia	Nashville	Total	Philadelphia	Nashville	Total
Savings account	82%	71%	75%	$1,150	$2,505	$1,882
Checking account	12%	17%	15%	$241	$2,217	$1,538
At home, separated	12%	2%	6%	$305	$3,717	$1,036
IRA, 401k, etc.	4%	4%	4%	$32,615	$10,156	$20,138
Savings circle	2%	2%	2%	$100	$513	$306
IDA	3%	0%	1%	$967	—	$967
Savings Locations	Philadelphia	Nashville	Total	Philadelphia	Nashville	Total
Someone else holds	2%	1%	1%	$715	$5,000	$2,143
Other bank savings products	2%	0%	1%	$295	—	$295
Nonretirement investments	1%	0%	0%	$300	—	$300
Other	8%	3%	5%	$572	$375	$500
Total Number Clients with Savings, Any Location	**92**	**124**	**216**			

Four potential savings locations were not used at all (prepaid card, non-reloadable gift card, college savings account, savings bonds), and two locations were initially selected but had no funds in them at the last session (at home with no separation, in an app).

In addition, pilot clients were more successful than comparison group clients in achieving the traditional 2% annual FEC savings outcome: 29 pilot clients, or 20% of those who attended multiple sessions, achieved this outcome, compared to only 12% of savings clients within the 2016 comparison period. This finding suggests that the pilot's focus on savings goals, activities, and behaviors helps clients save more and makes financial counseling more effective.[25]

Tracking the flow of funds into savings vehicles revealed 36% more savings outcomes than would have been captured with the traditional outcome. Some clients reported contributions to their savings but ended the pilot without any savings at all - some of them described using their savings to manage their lives by moving to a safer place, paying off debt and covering bills (although a few described nonessential purchases and entertainment). Other clients reported contributing to savings but ended without an increase in their savings balances, suggesting that they might not have a rigid separation between spending money and savings.

ENHANCED OUTCOME SET 2: GOAL ACHIEVEMENT

Client achieves savings goal target amounts, or uses savings towards their goal purposes.

This set of outcomes tracked the type and amount of savings goals that clients achieved, as well as whether goal spending played out as anticipated.

The 294 clients set 380 different savings goals across all sessions, with a total value of over $850,000. Most clients set all their goals during their first savings session; however, 18 goals were added at follow-up sessions.

Sixty percent of all pilot clients set the goal of building an emergency fund; their target amounts ranged from $50 to $20,000, with a median of $1,000 and a mean of about $1,800; their target date averaged six months in the future and the median target date was less than five months out.

Notably, clients set their emergency fund targets much higher than the traditional FEC outcome. Their median actual emergency goal, alone, equated to 3% of their annualized monthly income, rather than the traditional 2%, with an average of 6% and a range from 0.1% to 52%. Even if clients were not always able to achieve this higher goal within the timeframe of the typical financial counseling engagement, they felt inspired by the pilot's focus on setting personal goals.

Table 9: Pilot Clients' Savings Goals

Goal Type*	Number Clients with Goal	Total Value of Clients' Goals	Average	Philadelphia Average	Nashville Average
		(for comparison: 2% of average client income):		$429	$531
Emergency Fund	180	$323,775	$1,799	$1,156	$2,128
Home Ownership	86	$306,850	$3,568	$2,742	$4,662
Pay Debt/Bills	29	$62,780	$2,165	$901	$3,720
Moving	18	$24,900	$1,383	$1,313	$1,733
Upcoming Expense	14	$14,775	$1,055	$746	$1,364
Other	12	$22,951	$1,913	$1,150	$4,200
Retirement	11	$63,360	$5,760	$1,832	$9,033
Car/Auto Savings	5	$9,700	$1,940	$1,833	$2,100
Vacation	4	$3,050	$763	$275	$1,250
Own Education	4	$18,985	$4,746	$300	$6,228
Child's Education	2	$1,600	$800	—	$800

**Indicates client's goal type at their last counseling session.*

Thirteen clients saved the full amounts of the fifteen goals they had set. Appropriately for a short-term pilot, most goal amounts that were achieved pertained to building emergency funds. Of the 10 clients who "filled up" their emergency funds, one had to use those funds to cover an emergency expense during the pilot period. This client would not have been seen as achieving an outcome under the traditional FEC measurement system, because she spent the savings before the end of the data collection period.

Table 10: Pilot Clients Who Saved Goal Amounts

	Number of Goals Achieved		
Goal Type	Philadelphia	Nashville	Total
Emergency Fund	7	3	10
Upcoming Expense	1	0	1
Home Ownership	1	0	1
Moving	2	1	3
Total Number of Goals Achieved	11	4	16
Number of Clients	8	5	13

THE VALUE OF SHORT-TERM / INTERMEDIATE GOALS

Arlene R. is a resident of the Philadelphia Housing Authority (PHA) and a client in the Jobs Plus Program at PHA. Arlene wants to buy her own home one day, but felt overwhelmed by her finances, which was why she often didn't follow through with tasks. Her counselor helped her identify additional, shorter-term goals to help her break down the process of better managing her money. She started with the goals of getting a car and paying down her debt. At that point she flourished. Each month, she was excited to tell her counselor about how she paid down another debt and was saving to pay off her next debt – and she also felt less stressed and rushed. Arlene still has a long-term goal of home ownership, but in the meantime has purchased a new car, is now saving regularly, and her credit score is improving.

Four clients used their savings as planned. Again, these clients likely would not have been credited with outcomes under traditional FEC outcome measures, yet they successfully set, achieved, and completed savings goals using financial counseling tools.

Because of documentation requirements, the pilot may have also missed additional goal-related outcomes; although the CFE Fund and FEC managers had hoped that documenting the use of funds would be a less invasive and onerous approach to verification than the traditional approach (documenting each change in savings balance), FEC feedback suggests that these challenges still existed in the pilot.

ENHANCED OUTCOME SET 3: BEHAVIOR CHANGE

Client adopts at least one of eight new savings behaviors.

This outcome tracked whether clients adopted positive savings behaviors.

Table 11: Pilot Clients' Savings Behaviors, Before the Pilot

	Number of Clients	
	Nashville	Philadelphia
Physically Separate Spending Money from Money Set Aside for the Future	22%	44%
Spend Less	20%	23%
Mentally Separate Spending Money from Money Set Aside for the Future	17%	18%
Set Aside Bigger Amounts of Money	15%	15%
Make More Money to Set Aside	11%	19%
Set Aside Money Automatically	10%	17%
Set Aside Money More Frequently	9%	9%
Convert Cash to Assets So it Can't be Spent	4%	4%

THE VALUE OF SAVINGS HABITS

Dorothea C. started the savings pilot in June with $100 in a savings account. Her long term goal involves home ownership, but her progression towards that goal was frequently interrupted by spending time and money on a side business, and it was difficult for her to separate her personal expenses from her business expenses. Over the course of the pilot, Dorothea came to appreciate the value of regular savings habits. She began to spend less, set aside bigger amounts of money, and both mentally and physically separate spending money from money she set aside for the future. Dorothea was able to save $600 by the end of the pilot.

Across both cities, 31 pilot clients adopted 61 savings strategies which they had not previously been using. They represent 47% of clients who attended at least three sessions. The most frequent new strategy was to physically separate spending money from savings.

Table 12: Number of Clients Adopting New Behaviors

	Number of Clients		
	Philadelphia	Nashville	Total
Physically Separate Spending Money from Money Set Aside for the Future	11	4	15
Spend Less	12	1	13
Set Aside Bigger Amounts of Money	7	2	9
Make More Money to Set Aside	5	2	7
Set Aside Money More Frequently	3	3	6
Mentally Separate Spending Money from Money Set Aside for the Future	2	3	5
Set Aside Money Automatically	—	4	4
Convert Cash to Assets So it Can't Be Spent	—	2	2
Number of Outcomes	40	21	61
Number of Clients	21	10	31
Percent of 3+ Session Clients	52%	37%	47%

BANKING AND SAVINGS

As noted above, some researchers define the act of savings as "establishing a savings or other account that can be used to accumulate funds," then "increasing the number of deposits made," then "increasing the actual balance of savings accounts." The CFE Fund's five-city FEC evaluation demonstrated that unbanked clients who became banked during the course of counseling were 7.65 times more likely to increase their savings relative to those who never became banked. Although this pilot did not change the way the FEC tracked banking outcomes, it is noteworthy that 10 pilot clients opened or transitioned to safe and affordable bank accounts during the pilot period.

How do you build your savings?
"I save by signing up for loyalty cards. I have a card for everything."

FINANCIAL HARDSHIPS AND FEELINGS OF CONTROL

The pilot also collected data to explore the impact on financial hardship and feelings of confidence and control.

To understand clients' experiences with financial hardship during the pilot, counselors asked at every session whether clients had avoided a necessary expense (e.g., food, medicine) due to lack of funds, or if they were able to pay all their bills on time. Although reducing hardship may be an ultimate impact of increasing savings, this was not defined as a programmatic outcome; counselors and CFE Fund staff expected that it would be difficult to clearly answer this question due to spikes in income and expenses.

In both cities, clients said they had not been able to pay all their bills on time at 17% of all sessions, and said they had avoided a necessary expense at roughly 7% of sessions. As predicted, there was not a clear pattern of change in the frequency of experiencing these hardships. Nonetheless, this data offers the first insight into the degree of hardships faced by FEC clients, and can provide a valuable baseline for future counseling innovation.

In addition, the pilot also included data on whether people feel greater confidence about covering emergencies and greater control over their finances, measured across a scale. These two questions have been asked at intake since the beginning of the FEC initiative. The CFE Fund's recent FEC evaluation revealed that they correlated with financial outcomes; in particular, each level of feeling in control increased the likelihood of having positive net savings. Tracking these scales at each session may reveal more a nuanced relationship.

THE EFFECT OF CHANGING THE DATA MODEL ON COUNSELING AND CLIENT EXPERIENCE

Effects on Client Retention

One effect of changing the data model to focus on more complex savings outcomes was increased client retention. Because some pilot outcomes required data collection over at least three sessions, pilot counselors made extra efforts to bring savings clients back in for follow-up appointments within a shorter timeframe than normal. In response, the average number of savings sessions per client increased in both cities, and a much higher portion of savings clients returned for multiple sessions, compared to the 2016 comparison group.

Table 13: Percentage of Clients Attending Multiple Sessions

	Nashville		Philadelphia	
	Pilot	Comparison Group	Pilot	Comparison Group
One Session	59%	70%	40%	80%
Two Sessions	27%	18%	23%	15%
Three or More Sessions	14%	12%	37%	5%

The data shows that, compared to 2016, most counselors in both cities spent more time on average with their savings pilot clients, with counselors focusing their efforts on fewer savings clients. This data confirms that the enhanced savings indicators and outcomes creates a higher-touch program that achieves greater results.

Effects on Counselors' Workflow and Clients' Understanding

FEC managers and counselors described the pilot experience through written reports and anonymous surveys. A common theme was that the pilot required much more intense data collection than before: the minimum number of data points required to record a savings outcome increased from 1 to 19. The sheer number of data points changed the dynamic of the counseling session, making counselors more explicit about data collection processes.

On one hand, this made some sessions less conversational, which could inhibit building rapport, a critical element of successful financial counseling. Counselors who had been comfortable remembering what a client said during a session and doing the data entry afterwards found that the pilot involved too many data points to remember. To preserve the quality of the counseling session, counselors instead tried rephrasing or reinterpreting the data points as needed.

On the other hand, it engaged clients to think about savings with greater specificity and understanding. Seeing the data points during a session made some clients feel "emboldened or privileged to see behind the curtain... more clued into what we were tracking and ... more accountable for these outcomes." Overall, managers and counselors reported that clients responded positively to sessions that were driven by the enhanced outcomes. In some cases, clients gained a better understanding of the concept of saving and steps towards increasing savings. As one counselor said, "Savings is to many people an amorphous, magical concept, with significant values and stigmas attached to it."

Some reported that the focus on short-term goals made clients "more motivated and satisfied." They "appreciated being given the opportunity to name specific goals and think about how to achieve them," and indicated that having short-term, clearly identified goals made savings "more concrete."

Furthermore, clients found the discussion of savings behavior to be eye-opening and encouraging. Counselors and managers reported that the detailed savings questions could be helpful in identifying gaps in savings behavior and "develop precise action steps" towards establishing a savings habit. Clients "were able to relate to some touch points or milestones that they have mastered which [are] contributing to their savings efforts."

> *"Some of my clients seemed to enjoy the fact that I was asking specific questions in that area and it got them to thinking a little deeper about their savings habits."* –FEC Counselor

Because of the time needed to collect additional savings-related information, the pilot had the unanticipated effect of focusing a counseling session on savings when the focus otherwise might have been different. While debt and credit problems – not savings goals – drive most clients to seek financial counseling, this was largely (though not always) perceived as an opportunity since building savings helps clients achieve other outcomes.

> *"One counselor notes that a client's savings goals are frequently tied to debt and credit outcomes. For instance, if a client can save for a settlement offer on an old collections debt, they have the potential to achieve outcomes in three different service plan sections [increasing savings, reducing debt, and improving credit score]. Another counselor noted that the savings pilot influenced banking outcomes because clients are encouraged to establish a routine. One of the best ways of doing this is by going to the bank and setting up automatic transfers. For clients who have never saved, this step was truly rewarding."* –FEC Manager

Managers and counselors observed that the enhanced savings questions provided some useful engagement tools. They helped "counselors be more intentional, specific and focused on discussing savings with their clients. ...The pilot has allowed for more robust and complete conversations about what savings means and how clients should be thinking about their financial goals." Managers and counselors said that once clients were motivated to save, they were also more open to discuss budgeting. Counselors were also "more motivated to focus on follow-up and outreach."

The pilot helped counselors highlight successful counseling techniques, such as:

> *"Linking saving to clients' other financial goals is crucial in getting clients to enroll into a savings program."*

> *"It's less important to teach someone "how" to save than it is to teach them that they "can." Build in small victories with the client up front. This will give them confidence for larger ones later."*

> *"Specificity is key in goal setting. "Save more money" is an innumerate goal that's unlikely to see an outcome. "Save $25 from each paycheck starting May 1st until I reach $200" provides important guidance."*

> *"Help the clients to understand there are different ways to save and they may already be saving and just didn't realize it."*

> *"Counselors should strive to help clients identify savings pitfalls and how to recover from savings emergencies. A client didn't fail to save if they used the savings for something other than what it was originally intended for."*

Conclusion: Next Steps for Tracking Savings in FEC Public

There is no question that saving matters. The Urban Institute found that relatively small amounts of savings serve as a buffer against financial shocks. Savings in amounts below $750 make families less likely to be evicted, miss a housing or utility payment, or receive public benefits, even after controlling for family income.[26] Yet counselor comments reveal that being able to cover an emergency might not feel like a savings victory:

> ***"It is unclear whether short-term savings really improves the financial stability of participants or cements a savings habit that can last a lifetime. Small, short-term savings can evaporate with one emergency or unexpected debt.***
>
> ***"[compared to solving a debt problem] Improvement in savings can feel more temporary; if a client saved $500 or so, then an emergency could easily cause that to evaporate."***

It is also important to recognize that redefining outcomes does not make saving any less difficult. Counselors interviewed for the CFE Fund's five-city evaluation generally said that savings outcomes were the most challenging to achieve, and counselors who participated in this pilot continue to emphasize that saving is hard. Some emphasized that building saving takes a long time and is not always their clients' highest priority, while others noted that verifying client-reported savings is invasive and uncomfortable for counselors, making it hard to claim the outcome for FEC reporting.

However, the pilot demonstrates that one-on-one financial counseling can be a valuable support for people who want to save, and a valuable introduction to saving for people who have not seen it as a financial priority. In all, taking a more expansive view of savings amounts and locations, and recording clients' savings goals and behaviors, helped both counselors and clients to work productively together in financial counseling. After the Photovoice experience, FEC managers observed that "Some savings habits are connected to deeper psychological and emotional baggage. If a client is not saving it is not always because the client doesn't have the resources, desire or tools to do so. It can be a powerful thing to help clients connect to their attitudes around money." The pilot confirmed that simply tracking more detailed and relevant outcomes can motivate both counselors and clients. The enhanced outcomes not only allowed them to celebrate more frequent and meaningful savings achievements, but also helped clients to save more and make better connections between savings and other components of financial stability.

As the CFE Fund continues to expand and scale the Financial Empowerment Center initiative through the FEC Public platform, lessons learned from this savings pilot will inform both the counseling process and the data collection system. Outcomes calculated by simply comparing savings balances at points in time can understate clients' savings success; the CFE Fund will look to incorporate a more detailed, nuanced view of savings into future saving outcomes.

The pilot also highlighted opportunities to enhance counselor training and the counseling process. Throughout the pilot, counselors remarked that savings were rarely clients' main focus when they walked in the door – credit and debt issues were much more common drivers. However, some counselors highlighted the connection between savings and other financial issues, and that savings could be used as a tool to help clients pay down debt and improve their credit. The CFE Fund will work with its city partners to continue to ensure that savings is deeply woven into other financial counseling issue areas, from credit and debt to budgeting and access to bank and credit union accounts. In addition, discussing specific savings behaviors and goals helped some clients better internalize the concept of savings and support the counseling process; the CFE Fund will look to better train counselors on how to discuss savings in this way during counseling sessions. Of course, while clients appreciated the explicit connection between their personal goals and program outcomes, their goals may take longer to achieve than a typical counseling engagement. Finally, emphasizing client engagement and designing outcomes that require three or more sessions can further motivate counselors to focus on retention and increase the rate at which clients return for counseling; the CFE Fund's FEC evaluation showed that retention was tied to outcome achievement.

The pilot also suggested a number of lessons related to data collection. For example, a more complete view of savings includes tracking the up-and-down flow of funds into savings vehicles, but this requires significant data collection. Technology could be used to more easily capture savings flow as clients add to, use, and then add again to their savings. In addition, while documenting outcomes is crucial for program accountability, the metrics and the type of documentation required should be selected with privacy and cultural sensitivity in mind. Finally, the number of data points required to document savings success, or successes in any of the FEC's other financial areas (banking, credit, or debt) will affect the amount of counseling time dedicated to that topic; the overall balance should be considered so that counselors can flexibly structure sessions to meet each client's needs.

The CFE Fund will use these lessons to capture and recognize a more holistic view of savings, in the process helping people across the country to build their financial stability.

Appendix: Quantitative Methodology

All data used in analysis was extracted from Efforts to Outcomes (ETO) a web-based data management, case management, and outcomes management software built and maintained by Social Solutions and customized for the CFE Fund's FEC partners. The demographic and baseline data covered Nashville clients who were enrolled in the "Increase Savings" service plan starting on 5/1/2017, and Philadelphia clients who enrolled starting on 5/15/2017. Session and outcome data for these clients was collected through 11/15/17.

Data was extracted from ETO in batches and merged together using Stata/IC 15.[27] Subsequent analysis was performed using Stata and Excel. Datasets used for analysis included: demographics, most recent Financial Health Assessment (FHA), outcomes reports and savings session reports.

For the initial descriptive analysis, data is reported for all clients in the merged dataset; however, some clients were missing data for some fields, and 8 clients were completely missing FHAs. Two of these clients recorded outcomes during the pilot period. Because of issues around missing data, descriptive totals may vary. Similarly, 11 clients were included in the descriptive analysis but not in the outcome analysis, because they did not have any qualifying sessions.

The behavior, goals and contribution to savings outcomes were calculated using all client sessions. The increased savings outcome was calculated using values from the client's first and last session during the pilot period.

Outcome analysis considered only multi-session clients, n= 142.

A nearly identical analysis was conducted for the comparison group: clients enrolled in the "Increase Savings" service plan from 5/1/2016 to 11/15/2016. Net increase in savings was calculated by comparing the first session in the time period to the last session in the time period. However, the total savings values were derived in different fashions. During the pilot, clients were explicitly asked about savings they may have *in various locations*. The pilot explicitly recognized that some clients may mentally separate savings from spending money but hold those funds in the same place as they hold spending money. The traditional approach did not emphasize this nuance. If a counselor simply asked "how much do you have in cash savings, a savings account or a retirement account" then mentally separted savings may have been missed. The premise of the pilot is that savings may have been underreported using traditional metrics. As a result, any outcome differentials could be attributed to either the different metrics or actual changes in behavior.

Endnotes

1. An Evaluation of Financial Empowerment Centers: Building People's Financial Stability as a Public Service, Cities for Financial Empowerment Fund, New York, 2017, http://cfefund.org/wp-content/uploads/2017/07/FEC-Evaluation.pdf
2. For performance management, FECs measure outcomes achieved within each program year.
3. The evaluation determined that data on the outcome "establish and maintain a regular savings habit for three months" was not consistently collected, and did not perform any analysis on this outcome.
4. For example: Hogarth, Jeanne M., and Chris E. Anguelov. "Can the poor save?." (2003).
5. Peter Tufano and Daniel Schneider. "Supporting Saving by Low- and Moderate-Income Families". *Focus* 27, No. 1, (2010).
6. For example: Stuart Heckman and Sherman Hanna. "Factors Related to Saving Behavior among Low-Income Households in the 1995–2007 Survey of Consumer Finances" (2012). Last modified September 15, 2017. http://www.academyfinancial.org/resources/Documents/Proceedings/2012/G2-Heckman-Hanna.pdf
7. For example: Rebecca Greenfield, "Can Science Make People Save Money", *Bloomberg*, 2016. Last modified September 15. 2017. https://www.bloomberg.com/features/2016-ritecheck-savings/
8. Moore, Amanda, Sondra Beverly, Michael Sherraden, Margaret Sherraden, Lissa Johnson, and Mark Schreiner. "Saving and asset-accumulation strategies used by low-income individuals." *St. Louis, MO: Center for Social Development, Washington University in St. Louis* (2001).
9. Heckman, ibid.
10. Morduch, J., and R. Schneider. "Savings Horizons." U.S. Financial Diaries (2015) https://wagner.nyu.edu/files/faculty/publications/U.S._Financial_Diaries_Savings_Horizons.pdf
11. For example, *Assets for Independence (AFI) Program Evaluation Instrument 1*, and NeighborWorks America Measuring *Outcomes of Financial Capability Programs: Success Measures Tools for Practitioners*
12. Rachel Schneider (Senior Vice President, CFSI), phone interview with the author, December 2016. Fiona Greig (Executive Director, JPMorgan Chase & Co) phone interview with the author, December 2016
13. Morduch, ibid.
14. Jose Quinones (CEO, Mission Asset Fund) and Mohan Kanungo (Director of Programs & Engagement, Mission Asset Fund) phone interview with the author, December 2016.
15. Guy Stuart (Executive Director, Microfinance Opportunities) phone interview with the author, December 2016. Genevieve Melford (Senior Financial Education Research Analyst, U.S. Consumer Financial Protection Bureau) phone interview with the author, December 2016.
16. Jose Quinones, ibid.
17. Hogarth, ibid.
18. Heckman, ibid.
19. Consumer Financial Protection Bureau. "Your Money, Your Goals A Financial Empowerment Toolkit for Community Volunteers". April 2015.
20. Board of Governors of the Federal Reserve System, Report on the Economic Well-Being of U.S. Households in 2016. Washington, DC May 2017.
21. Morduch, ibid.
22. Prina, Silvia. "Banking the poor via savings accounts: Evidence from a field experiment." Journal of Development Economics 115 (2015): 16–31.
23. Karlan, Dean, Aishwarya Lakshmi Ratan, and Jonathan Zinman. "Savings by and for the Poor: A Research Review and Agenda." Review of Income and Wealth 60, no. 1 (2014): 36–78.
24. Hannagan, Anthony, and Jonathan Morduch. "Income gains and month-to-month income volatility: Household evidence from the US Financial Diaries." (2015).
25. However, 2016 client savings may have been underreported during the May – November comparison period, because the FECs' performance management system calculated outcomes based on amounts at the end of the calendar year.
26. McKernan, Signe-Mary, Caroline Ratcliffe, Breno Braga, and Emma Kalish. "Thriving Residents, Thriving Cities." (2016).
27. StataCorp. 2017. Stata Statistical Software: Release 15. College Station, TX: StataCorp LLC

Cities for
FINANCIAL
EMPOWERMENT
Fund

www.cfefund.org