Saver Plus – improving financial literacy and establishing long-term saving habits

An indication of saving behaviour post-Saver Plus

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RMIT University

Brotherhood of St Laurence
Working for an Australia free of poverty

Berry Street Victoria
since 1877

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saverplus

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Summary

This report will provide results of an analysis of post-saving behaviour of Saver Plus participants from the first savings period of the pilot program conducted from July 2003 to December 2004. In the first savings period, the program was implemented in three sites, Frankston, Victoria, Shepparton, Victoria and Campbelltown, NSW. The Frankston participants were provided with the opportunity to continue in the second savings period so this analysis involved the participants from Shepparton and Campbelltown only. A survey was sent to 126 participants (the total number of participants from Shepparton and Campbelltown who were research active) and we received 66 responses giving a response rate of 52%.

The following results indicate the savings behaviour of participants from the Saver Plus program, twelve months after completing the program.

- A total of 71.2% of participants have either kept saving the same amount or have increased their savings level.
- Saving a set amount on a regular basis is a more successful strategy for saving. Participants who save a set amount on a regular basis (87.8%) were able to increase or maintain their monthly savings levels.
- Sole parent families are more likely to save a set amount on a regular basis than couple families.
- Those with the lowest average weekly income levels have been unable to save. However, of those households who have continued saving, those who have saved a set amount on a regular basis have lower levels of income than those households saving only leftover amounts or odd amounts when they can.
- Those participants who are reluctant to use a credit card if it meant having to pay interest to make a purchase are more likely to have established a regular savings pattern than those who were willing to make a purchase even if it incurred additional costs from interest.
- Mostly the participants' predictions made twelve months prior to this research of being able to continue to save were correct.
- Most participants are still using the ANZ Progress Saver account.
- The educational item purchased has had a highly positive impact on the children's schooling experience. Following is a summary of these impacts:
  - Improved academic performance;
  - Higher levels of motivation, confidence, self-discipline and resourcefulness;
  - Greater levels of enjoyment of school;
  - The ability to participate in classes and activities, which they could not afford prior to the Saver Plus program;
  - Increased positive attitude towards school; and
  - Reduced stress on families through the alleviation of financial burdens from schooling costs.

1.0 Introduction

This report will provide the results of an analysis of post-saving behaviour of the Saver Plus participants from the first savings period of the pilot program conducted from July 2003 to December 2004. Saver Plus, a financial literacy and matched savings program was initiated in 2003 to assist families on low incomes to improve their financial knowledge, build a long-term savings habit and save for their children's education. The program has been developed through a partnership between ANZ and the Brotherhood of St Laurence and has been implemented through subsequent partnerships with Berry Street Victoria and The Benevolent Society, NSW and more recently with The Smith Family, QLD.

The program includes three major components: matched savings at a ratio of $2 for every $1 saved (maximum matched amount is $2000); financial literacy education; and relationship management. Those eligible to join the program were parents or guardians of children enrolled in a government secondary school. Eligible participants had a Health Care Card or Pension Card issued by Centrelink; additional earnings through part-time, casual employment or self-employment; and a demonstrated capacity to save. Participants were directed to save towards a goal that relates to secondary school educational costs.

The first pilot phase of Saver Plus began in July 2003 and was completed in December 2004 across three sites: Frankston, Victoria (BSL), Shepparton, Victoria, (Berry Street Victoria) and Campbelltown, NSW (The Benevolent Society). The total number of participants across the three sites was 269 (126 from Frankston, 73 from Shepparton and 70 from Campbelltown).

The evaluation of the first phase of the pilot revealed that Saver Plus was successful in achieving its goals. A total of 92.4% of participants achieved their savings goal with 34.6% exceeding their goal. In terms of improved saving behaviour, 72.6% of participants demonstrated consistent saving during the program compared to 39% saying they saved something every week before joining Saver Plus and 24% of participants not saving anything prior to the program. Nearly all the participants (98.8%) said they hoped to keep saving in the future with 57% planning on saving the same amount as they did in the program and 26% hoping to save more.

An important issue in the assessment of the effectiveness of matched savings programs such as the Saver Plus program is whether the participants continue with their improved savings behaviour after the completion of the program. This report provides an indication of the savings behaviour of past participants, 12 months after completing the Saver Plus program.

2.0 Method

For the purpose of analysing post-saving behaviour, a survey was sent to the 126 research active participants from Campbelltown and Shepparton from the pilot program[1] to explore what had happened to their saving behaviour and patterns since their participation in the program. A total of 66 (52%) participants responded to this follow-up survey.

An analysis was conducted to determine whether the survey respondents were representative of the 126 participants in terms of their demographic characteristics and savings patterns and behaviour during Saver Plus. The results of this analysis suggest that in general there are no significant differences between survey respondents and non-respondents in terms of their demographic characteristics, previous saving behaviour and financial literacy and saving behaviour during the Saver Plus program. However, survey respondents are slightly more likely to be from Shepparton, and more likely to own shares, have a home mortgage and insurance.

1 The Frankston participants were not included in this survey because they are also participating in phase 2 of the pilot.

3.0 Results

The savings levels of the respondents are reported in Table 1. Past participants are reasonably evenly spread in terms of what has happened to their monthly savings levels. The largest proportion of participants (36.4%) have had their monthly savings levels stay the same, although sizable proportions have either increased (34.8%) or decreased (28.8%) their savings levels.

Table 1: Savings levels since participation in Saver Plus program
This table contains responses to the question – 'Since completing the Saver Plus program have your monthly savings levels':

Savings levels	Proportion of participants
Increased	34.8%
Stayed the same	36.4%
Decreased	28.8%

The saving patterns of past participants are reported in Table 2. The overwhelming majority of past participants (62.1%) are saving a set amount on a regular basis. Smaller proportions have adopted a residual saving strategy of either regular leftover amounts (9.1%) or odd amounts when they can (24.2%). Only a small proportion (4.5%) of past participants has been unable to save.

Table 2: Saving patterns since participation in Saver Plus
This table contains responses to the question – 'How would you describe your current saving pattern?':

Saving Pattern	Proportion of participants
Set amount on a regular basis	62.1%
Leftover after expenses on a regular basis	9.1%
Odd amount when can	24.2%
Unable to save	4.5%

We can also explore the interaction between savings levels and patterns. These results are reported in Table 3. The majority of participants who have adopted a set amount saving strategy have either increased (46.3%) or maintained (41.5%) their monthly savings levels. Only a small proportion of these participants have decreased (12.2%) their monthly savings levels. Those who save leftover amounts on a regular basis are evenly distributed across each of the savings levels. The majority of participants who now only save odd amounts when they can have reduced (56.2%) their monthly savings levels, although a significant proportion have been able to maintain (31.3%) their savings levels. The different patterns in the interactions between saving patterns and savings levels are also found to be statistically significant[2] in that those participants who have been able to increase or maintain their savings levels are much more likely to have adopted a strategy where they save a set amount on a regular basis.

2 The differences are found to be statistically significant using the x2 test at the 0.003 significance level. While the cell counts are low for the asymptotic version of the test, the exact version of the test produces the same result.

Table 3: Interaction between savings levels and patterns

	Patterns			
	Set amount on a regular basis	Leftover after expenses on a regular basis	Odd amount when can	Unable to save
Levels				
Increased	46.3%	33.3%	12.5%	0.0%
Same	41.5%	33.3%	31.3%	0.0%
Decreased	12.2%	33.3%	56.2%	100.0%

The first issue to explore is whether the differences observed in saving behaviour and patterns are related to socio-demographic characteristics, data on which was collected when the participant joined the Saver Plus program.

In terms of location of participants (i.e. Campbelltown or Shepparton) there are no statistically significant differences in post-program savings levels or patterns across locations. The same result is obtained in terms of gender, age, educational attainment and employment type (full-time, part-time, casual) where there are also no statistically significant differences in post-program savings levels or patterns.

In terms of differences in family characteristics (sole parent or couple) there are no statistically significant differences in post-program savings levels. However in terms of saving patterns, a statistically significant difference is found[3] with sole parent families more likely to save a set amount on a regular basis, while couple families are more likely to save the odd amount when they can. Table 4 presents these results in greater detail. The results show that while 76.5% of sole parent families were able to save a set amount on a regular basis, only 46.8% of couples with children were able to save a set amount on a regular basis. In contrast, while 31.3% of couples with children save the odd amount when they can, only 17.6% of sole parent families save the odd amount when they can.

Table 4: Interaction between family characteristics and saving patterns

	Patterns			
Family Characteristics	Set amount on a regular basis	Leftover after expenses on a regular basis	Odd amount when can	Unable to save
Sole Parent	76.5%	5.9%	17.6%	0.0%
Couple	46.8%	12.5%	31.3%	9.4%

A similar result is found with respect to income levels where there are no statistically significant differences in post-program savings levels. However in terms of saving patterns, a statistically significant difference is found[4]. As shown in Table 5, the lowest weekly income levels at $577 are found for those who are unable to save. The second lowest weekly income levels at $639 per week are found for the households that have established the pattern of regular saving of a set amount. In contrast, those households who are just saving a leftover amount, or an odd amount when they can, have the highest weekly income levels at $731 and $752 respectively.

3 The differences are found to be statistically significant using the x2 test at the 0.047 significance level. While the cell counts are low for the asymptotic version of the test, the exact version of the test produces the same result.

4 The differences are found to be statistically significant using the F test for analysis of variance at the 0.027 significance level.

3.0 Results cont

Table 5: Interaction between income levels and saving patterns

	Saving Patterns			
	Set amount on a regular basis	Leftover after expenses on a regular basis	Odd amount when can	Unable to save
Average Weekly Income Levels	$639	$731	$753	$577

In terms of pre-Saver Plus saving behaviour relating to ability to save or not, regularity in saving patterns, ability to meet saving goals, savings levels, usage of financial products and broad questions on financial literacy, there are no statistically significant differences in post-program savings levels or patterns.

The initial Saver Plus survey also contained a number of attitudinal questions relating to debt. One of the questions related to the attitude of participants towards using a credit card to purchase a new bike for their child's birthday present. While there are no differences in post-program savings levels related to the response to this question, we did find statistically significant differences[5] in post-program saving patterns relating to this question. Table 6 provides details of these results. Specifically, those who said they were too likely to get into debt (70% of those participants) or would only make such a purchase at no interest (68.6% of those participants) were much more likely to have established a regular saving pattern, while those who said it was more convenient to make purchases even if it cost interest were much more likely to have established a pattern of saving odd amounts when they could (75% of those participants).

Table 6: Interaction between debt attitudes and saving patterns

	Patterns			
Debt Attitude	Set amount on a regular basis	Leftover after expenses on a regular basis	Odd amount when can	Unable to save
Would not use credit card	70.0%	10.0%	15.0%	5.0%
Only use credit if no interest	68.6%	8.6%	20.0%	2.8%
Would use because of convenience	0.0%	12.5%	75.0%	12.5%

In terms of saving behaviour during the Saver Plus program there are no statistically significant differences in post-program savings levels or patterns related to the length of time in the Saver Plus program, level of the Saver Plus saving goal, achievement relative to the goal that was set in the Saver Plus program, average monthly deposit levels[6] or the variability in monthly deposits during the Saver Plus program[7].

Despite the absence of statistically significant differences in post-program savings levels and patterns when related to pre-program saving levels, it is worthwhile presenting some descriptive statistics on what has happened with respect to savings patterns. Table 7 reports these patterns comparing the pre-program saving patterns of participants to those patterns post-program. The results in Table 7 show that the majority of participants (60% or more) in all groups of pre-Saver Plus saving patterns have been able to develop a regular saving pattern in their post-program savings, a particularly encouraging result in the group that was unable to save prior to Saver Plus. While it is the case that the group that was unable to save prior to Saver Plus has a higher proportion of participants unable to save post-program at 13.3%, this difference is not statistically significant at conventional significance levels.

5 The differences are found to be statistically significant using the x2 test at the 0.013 significance level. While the cell counts are low for the asymptotic version of the test, the exact version of the test produces the same result.

6 Average deposits were measured in terms of actual monthly deposits, monthly deposits net of withdrawals, and deposits relative to a static monthly savings goal, and no differences are found across each of these measures.

7 Variability of deposits was measured in terms of actual monthly deposits, monthly deposits net of withdrawals, and deposits relative to a static monthly savings goal, and no differences are found across each of these measures.

Table 7: Interaction between saving patterns pre and post Saver Plus program

	Post-Program Saving Pattern			
Pre-Program Saving Pattern	Set amount on a regular basis	Leftover after expenses on a regular basis	Odd amount when can	Unable to save
Regular basis	62.5%	20.8%	16.7%	0.0%
Odd amount when can	63.0%	3.7%	29.6%	3.7%
Unable to save	60.0%	0.0%	26.7%	13.3%

At the conclusion of the Saver Plus program, participants were asked to forecast what they expected would happen to their savings levels after the conclusion of the program. Table 8 provides the results of the interaction between participant savings levels and their forecasts of what they thought would happen after the conclusion of the program. In this regard, participants have done a good job at predicting what would happen with their post-program saving behaviour. From the 16 participants who predicted that their savings levels would increase, we found that 8 (50.0%) experienced increased savings levels, and 2 (12.5%) maintained their savings at the same level as during the program. From the 35 participants who predicted that their savings levels would stay the same we found this is true for 18 participants (51.4%), and amongst this group 12 participants (34.3%) have actually managed to increase their savings levels. From the 12 participants who forecast reduced savings or an inability to save regularly, 7 participants (58.3%) have experienced decreased savings levels. These differences across the categories of actual and planned saving behaviour are also found to be statistically significant[8].

Table 8: Interaction between predicted and actual saving behaviour

	Predicted Saving Behaviour		
Saving Behaviour	Increase	Stay the Same	Decrease
Actual			
Increased	50.0%	34.3%	8.3%
Same	12.5%	51.4%	33.3%
Decreased	37.5%	14.3%	58.3%

For the participants who have continued saving, a large proportion (65.6%) are still using their ANZ Progress Saver account. However, a considerable proportion (39.3%) is saving using another bank account. There is a very small number of participants (4.9%) operating both their Progress Saver account, and another account.

The follow-up survey also asked participants about changed usage of financial products. Across the range of products (which include bank accounts, superannuation, shares, mortgage, insurance) the majority of participants reported unchanged usage. A little over 10% of participants reported increased usage of bank accounts, superannuation, term deposits, and home mortgage.

8 The differences are found to be statistically significant using the x2 test at the 0.005 significance level. While the cell counts are low for the asymptotic version of the test, the exact version of the test produces the same result.

4.0 Impact of Items Purchased

When asked to describe how the products purchased with the matched funds had affected their child's schooling experience, 100% of survey respondents reported a highly positive impact. The impacts are summarised as follows:

- Improved academic performance;
- Higher levels of motivation, confidence, self-discipline and resourcefulness;
- Greater levels of enjoyment of school;
- The ability to participate in classes and activities, which they could not afford prior to the Saver Plus program;
- Increased positive attitude towards school; and
- Reduced stress on families through the alleviation of financial burdens from schooling costs.

Overall, respondents reported that their children are now much happier individuals, both at school and at home.

"The educational products purchased with the matched funds have dramatically affected our children's schooling experience this year, because they go to school with more confidence as they have all the necessary tools / products required for today's education."

"Using the computer and camera, getting higher marks at school. Being happier at home."

Items purchased with the matched funds included textbooks, uniforms, shoes, stationery, digital cameras, printers, scanners, computer software programs, sports equipment, furniture and musical instruments. Computers and laptops were the most popular items bought with the matched funds, and the numerous benefits accrued through this particular purchase contributed greatly to the positive impact on the children's schooling experience. Matched funds were also used for the payment of school fees, monthly subscriptions to an Internet service provider, coaching sessions for sporting activity, tuition fees, electives, extra curricular activities as well as school camps and excursions.

The use of matched funds for sport and music lessons, as well as school camps and excursions, encouraged the all-round development of the child. Many survey respondents expressed how happy their children were to be given the opportunity to take part in such activities.

"My son was able to go to Central Australia with his friend (school camp). It would have been too expensive if I didn't get the matched funds. Probably wouldn't have afforded it. He enjoyed it very much. It was a wonderful experience."

"[Saver Plus has] taken pressure off finances allowing children to have extra experiences that would normally be beyond our budget. Eg. Band trip to Queensland and year as Rotary Exchange student in Switzerland."

The computer was certainly a much-needed asset in many homes, and many bought latest models with up-to-date features and applications. The use of computers allowed for schoolwork to be completed on time, in a neat and professional manner, as printers, copiers, scanners and various software programs such as PowerPoint, gave the children greater flexibility and options in the overall presentation of projects and assignments. Personal computers have also made life a lot easier for the children as it is more convenient to do work at home in one's own time as opposed to queuing in line to use the computers at the library. Research on projects and assignments is now made possible with easy access to information via the Internet. Moreover, there was no need to hand-write assignments as they could now be easily typed. This, in many cases, saved precious time and energy.

One of the greatest benefits of the computer was having access to the Internet. The acquisition of a computer with the latest features together with broadband access allowed children to not only produce quality assignments and homework they could be proud of, but at the same time encouraged them to constantly upgrade their computer skills and knowledge. Many had also become more resourceful in looking for relevant information for homework. A computer of a latest model also allowed work done at home to be compatible with that produced in school.

Examples of the positive impacts of the purchase of a computer as reported by survey respondents are as follows:

"My daughter has gained after school employment as a youth reporter and is able to email articles to the editor. She is now able to save and send photos for articles."

"I bought a computer and it helped my daughter a lot. She is able to print out her assignments, browse the Internet to prepare assignments at home. And she is able to communicate with another student via the Internet to prepare group tasks."

"My son was able to access the Internet and use a good, reliable computer. He is more eager to do assignments now and has a more positive attitude to school."

The matched funds also gave families opportunities to exercise options and choices, which hadn't previously existed. This in turn affected the quality of school life experienced by their children. For example, one respondent reported using the matched funds to pay for the school bus so that her daughter could go to a better school, which was out of their residential zone. Other examples, as reported by respondents, include the following:

"It has been fantastic. We are able to pay for three terms of private public speaking tuition for our high school son which lifted a big financial burden, as well as extra uniforms, shoes, fees and a new computer and Internet."

"My child was able to do a subject (Outdoor Education) which he would otherwise not have done as we could not have paid for it."

"Private art lessons for HSC Art to teach drawing techniques. Saxophone purchased for one child enabled her to play the type of music she liked for her HSC, which should help her to get better marks, plus get a holiday job performing."

"[My daughter] was able to go on the camp of her choice, instead of what we could afford."

For many, having brand new shoes and uniforms for a change, instead of having to wear second hand ones, was too good to be true. Children were excited about going shopping and getting good quality items for school.

Proud parents also reported on the excellent academic performance of their children and how the provision of computers and other such items with the matched funds has motivated students to perform better in school. Examples of improved academic performance at school are as follows:

"Improved to the point where my child has been put up a year level in the fourth term."

"My children love the computer. They are on it everyday. My daughter got the highest mark in the school in the Geography test the other day."

It was also reported that the items purchased with the matched funds helped to reduce stress levels, for both parent and child.

"Less stress. Having a computer and printer at home means no complaining, no trips to the library to use the computer and no excuses for not doing homework."

"There has been no stress – when she has needed things, they have all been paid for."

"I've had a less stressed year for school camps, books, uniforms as all that was paid for with the Saver Plus funds."

However, one survey respondent, who was initially contented with the items purchased, had later developed some concerns and reported a slightly negative experience, the reason given being:

"The computer, printer, software and Internet have been a great help. However, the ongoing costs and problems that have occurred – the incident of inappropriate viewing of media has me wondering whether the Internet was worth it. Printer problems too."

5.0 Conclusion

The evaluation of saving behaviour of participants 12 months after completing the Saver Plus program has showed positive results quantitatively and qualitatively. Past participants are continuing to save and it is clear that receiving the matched funds from Saver Plus has enhanced their children's experience at school and reduced stress levels on families.

While these results should not be viewed as 'long-term' behaviour changes, they are encouraging indicators of the success of Saver Plus in helping families become more financially sustainable.