Savings: A Little Can Make a Big Difference.

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In early 2020, the FINRA Foundation and SaverLife partnered to conduct a study to shed new light on the role savings plays in shaping financial well-being and stability for lower-income households in the United States.

This partnership was grounded in the FINRA Foundation's decade-long expertise in conducting the National Financial Capability Study, which tracks key indicators of financial capability and evaluates how these indicators vary according to underlying demographic, behavioral, attitudinal, and financial literacy characteristics.

The FINRA Foundation invited SaverLife, a national nonprofit fintech with a mission to create prosperity for working families, to join the study. SaverLife's expertise lies in its rich connection to the voices, experiences, and financial habits of its 450,000 lower-income members.

Key Findings

Savings balances above $250 are correlated with increased housing security.

Households that maintain a savings balance above $100 are significantly better able to keep utilities on.

Having a savings balance above $100 is strongly correlated with avoiding high-cost borrowing.

Maintaining a savings balance of $100+ correlates with greater likelihood of financial satisfaction in life.

Millions of Americans Face Financial Emergencies Every Day

Low wages, income volatility, and increases in the cost of living make it difficult for American households to build and maintain emergency savings, as evidenced by the fact that 37% of Americans don't have a savings cushion of $400.

SaverLife, through its online savings platform built for low-income Americans, has an ability to analyze the financial impact of small amounts of savings.

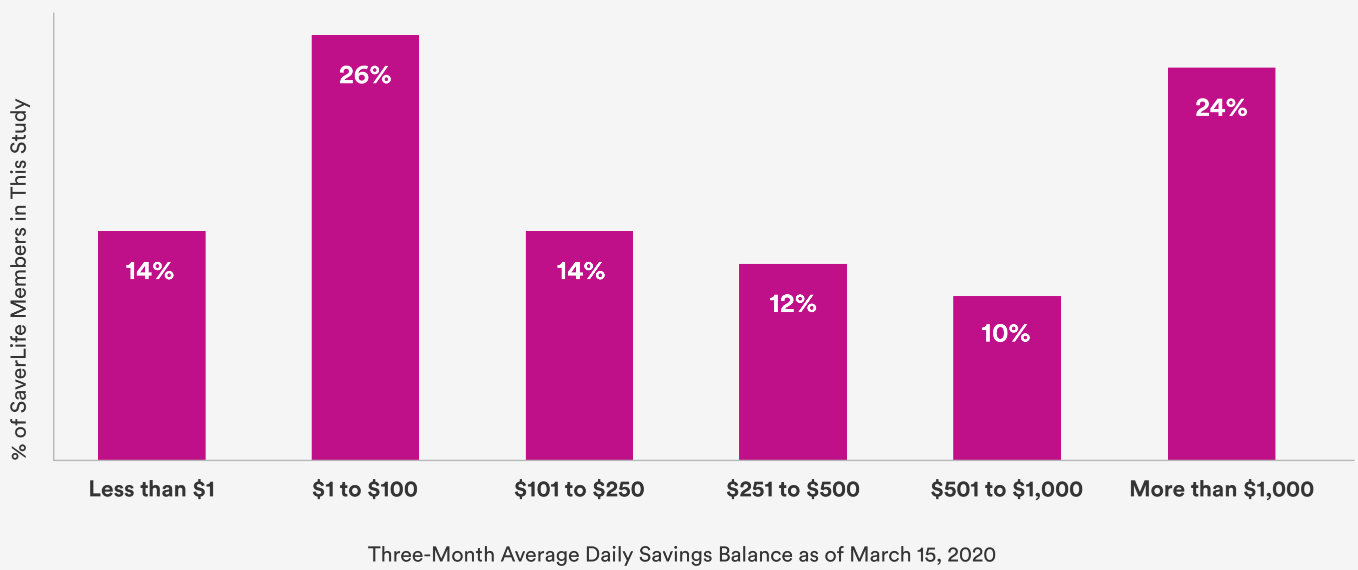
In this brief, we look at the impact small amounts of savings have on housing security, utilities maintenance, use of high-cost borrowing, and overall financial satisfaction by comparing survey answers to respondents' three-month average daily savings balances in their SaverLife-linked accounts.

The following figure shows the breakout of savings balances for the 687 SaverLife members who participated in the study and had three-month average daily savings balances available in their linked accounts.*

*See the methodology information at about.saverlife.org/finra for details about how the statistics in this report were calculated.

Savings Balances for SaverLife Members Who Participated in This Study

SaverLife Members with Available Three-Month Savings Balances



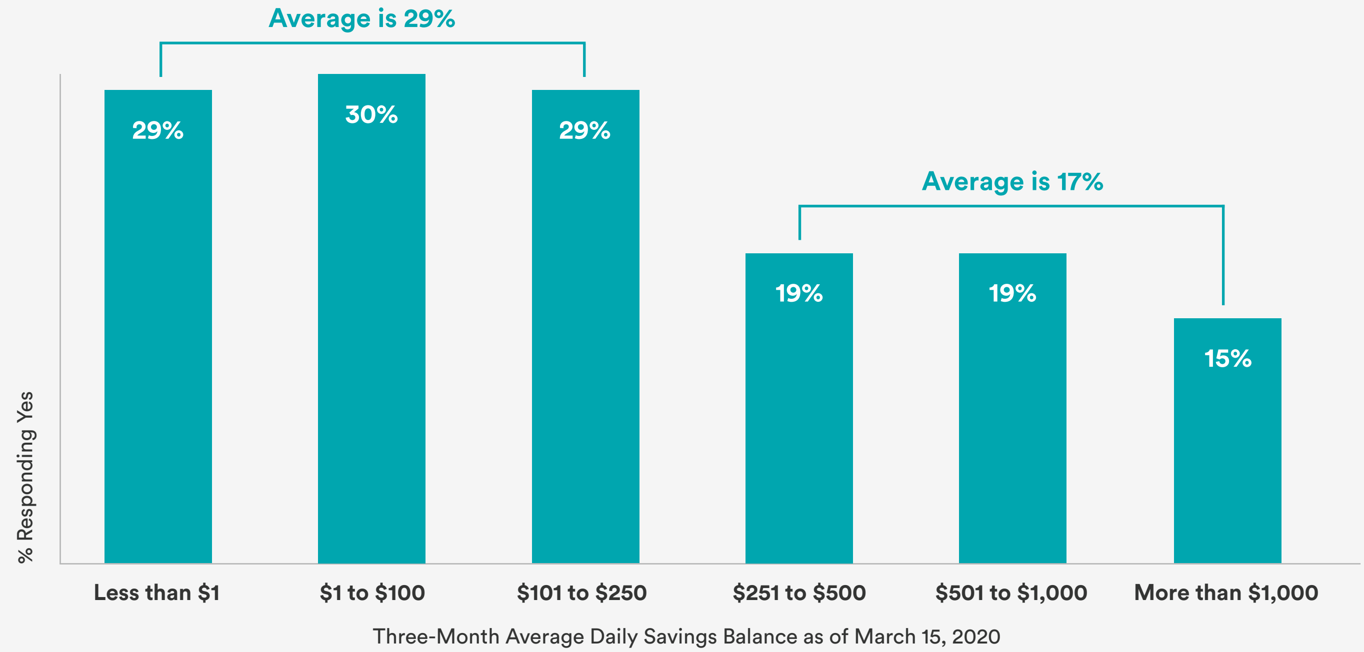
Key Findings

1 Even Small Amounts of Savings Are Correlated with Greater Housing Security

Higher savings balances translate into increased housing security for respondents. A savings balance over $250 is correlated with keeping people in their homes.

Higher Savings Balances Correlate to Greater Housing Security

In the last five years, have you needed to change where you live because you could not afford your housing payments?



People who were unable to maintain a savings balance above $250 were 71% more likely to have moved in the past five years for financial reasons vs. people who were able to sustain a balance above $250 (29% vs. 17%, respectively).

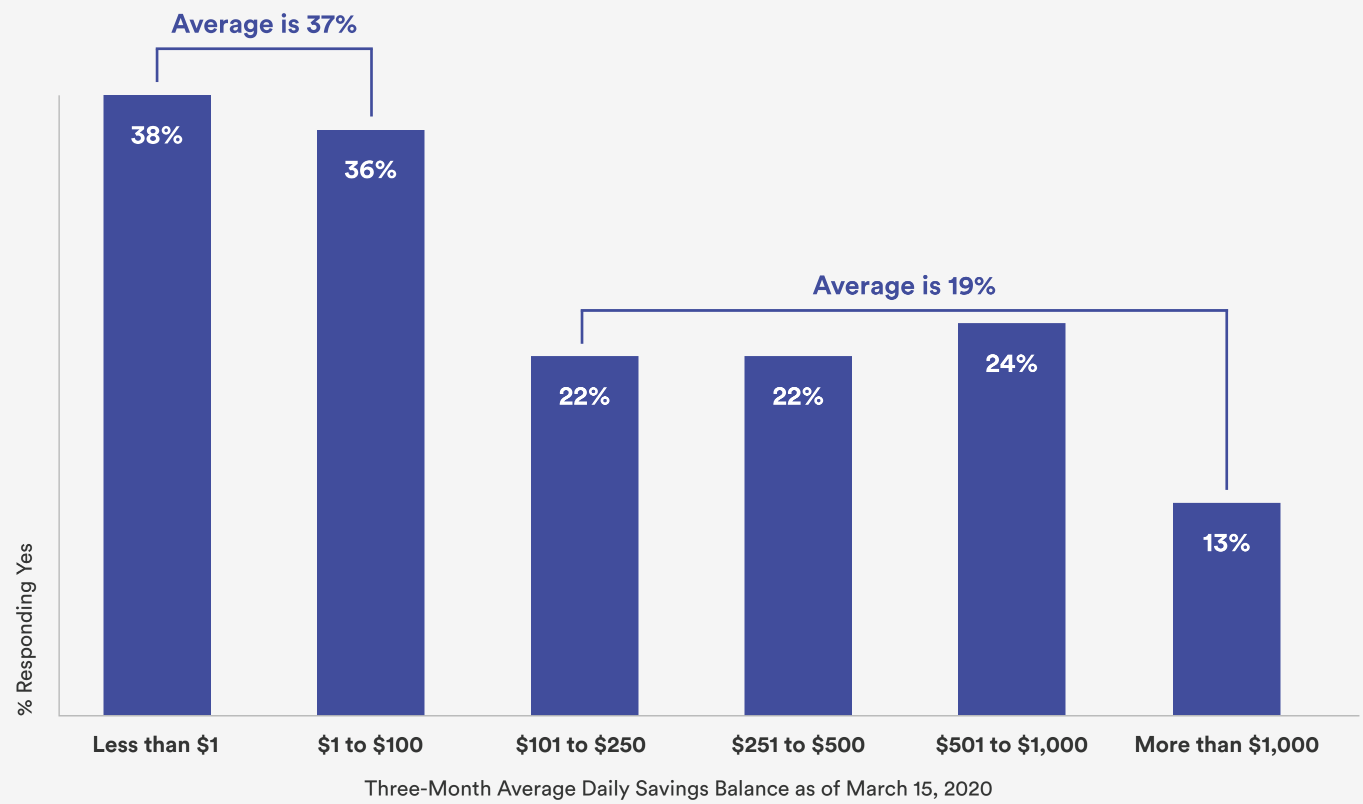
Controlling for household income, gender, age, marital status, presence of dependents in the household, and education, this disparity narrows somewhat, but people unable to maintain a balance above $250 were still 29% more likely to have moved for financial reasons.

2 People Who Maintain Savings Balances Above $100 Are More Likely to Keep Their Utilities On

Higher savings balances are strongly correlated with respondents' ability to pay utility bills. Having over $100 in savings greatly reduces the likelihood of having utilities shut off.

Even Modest Savings Correlate with Reduced Likelihood of Having Utilities Cut Off

In the last five years, have you had any of your utilities (for example, water, gas, electricity, cell phone, regular phone, etc.) shut off because you did not pay your utility bills?



People who were unable to maintain a savings balance above $100 were 95% more likely to have their utilities shut off vs. people who were able to sustain a balance above $100 (37% vs. 19%, respectively).

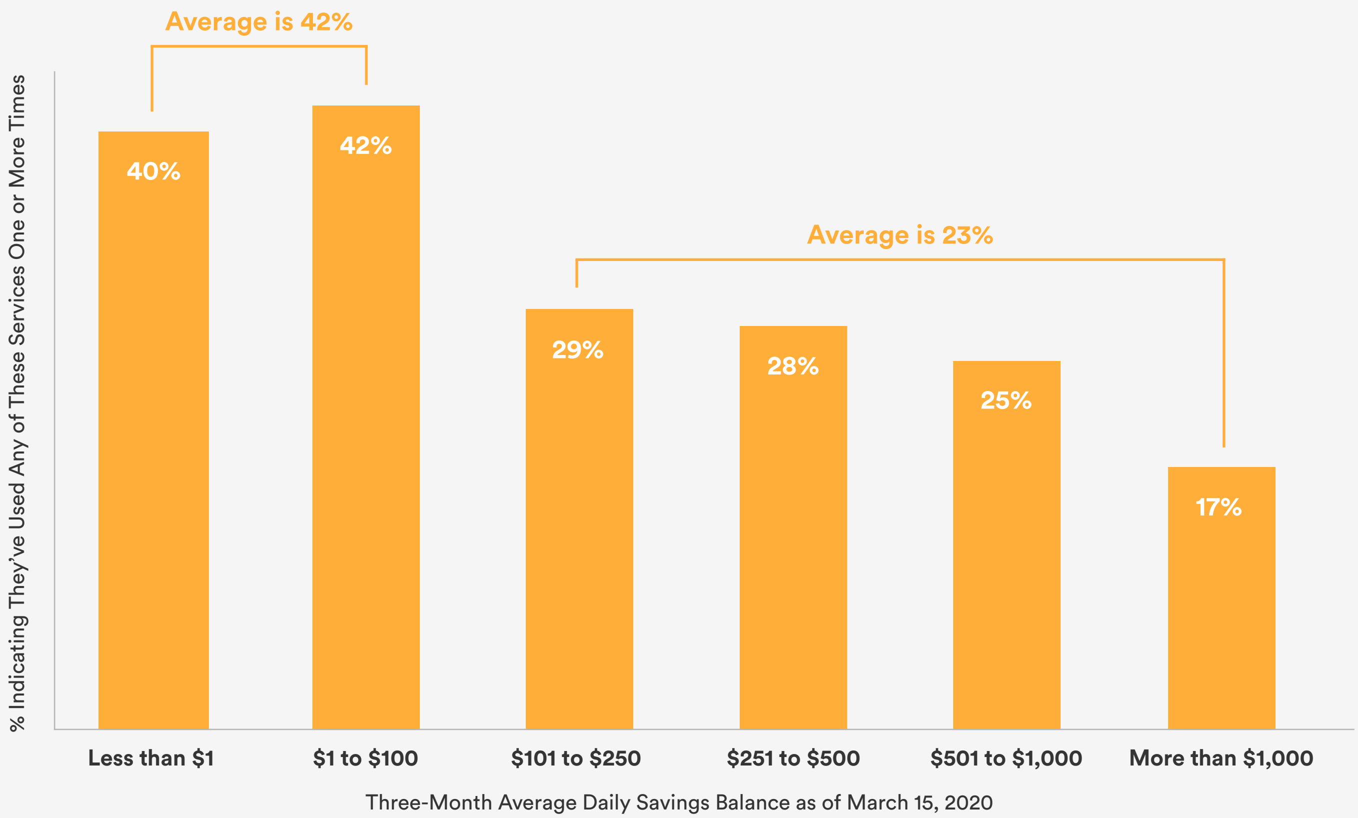
Controlling for household income, gender, age, marital status, presence of dependents in the household, and education, this disparity narrowed, but people who didn't maintain a balance above $100 were still 42% more likely to have their utilities shut off.

3 Having a Savings Balance Above $100 Is Correlated with Avoiding High-Cost Borrowing

Higher savings balances are strongly correlated with respondents' ability to avoid high-cost borrowing, such as auto title loans, payday loans, refund advances, rent-to-own stores, and pawn shops.

Having Over $100 in Savings Tracks with Avoiding High-Cost Borrowing

Percent of people indicating they've used auto title loans, payday loans, refund advances, rent-to-own stores, or pawn shops in the past year



People who were unable to maintain a savings balance above $100 were 83% more likely to use high-cost borrowing, such as auto title loans, payday loans, refund advances, rent-to-own stores, or pawn shops, vs. people who sustained a balance above $100 (42% vs. 23%, respectively).

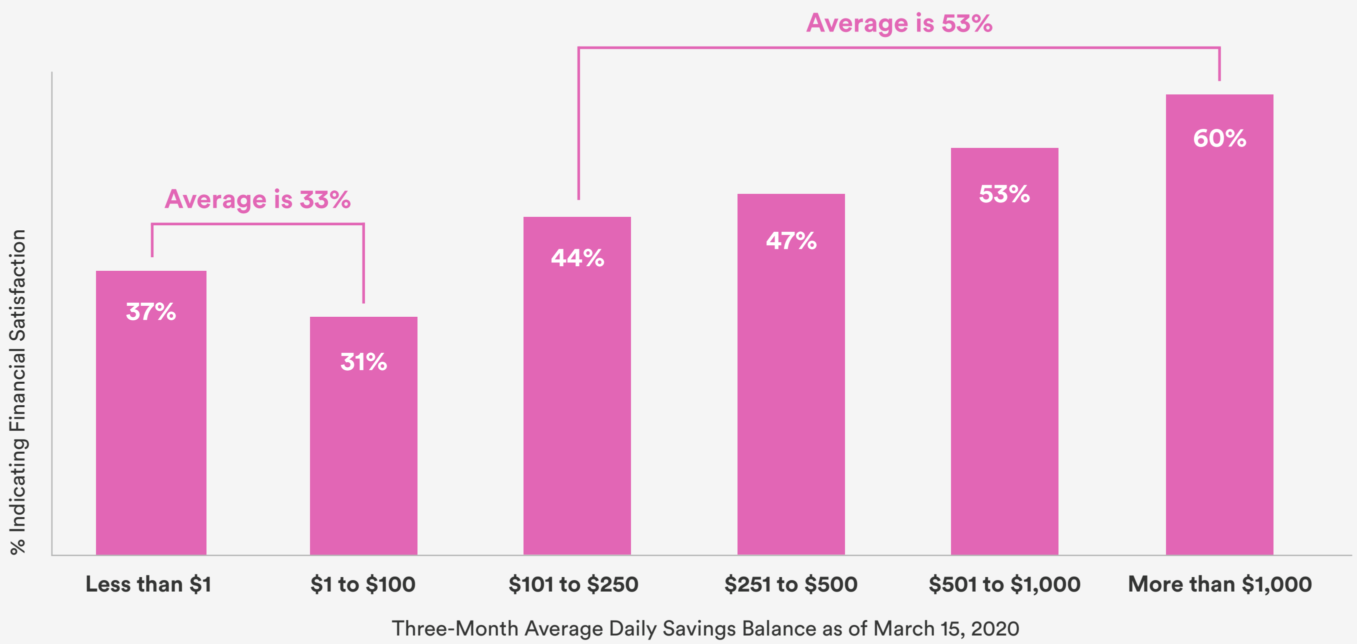
Controlling for household income, gender, age, marital status, presence of dependents in the household, and education, this disparity narrowed, but people who couldn't maintain a balance above $100 were still 39% more likely to use high-cost borrowing.

4 Savings Balances Are an Indicator of Financial Satisfaction in Life

Having a savings balance over $100 has a major impact on a person's financial satisfaction. Someone who consistently maintains a savings balance of $100+ is much more likely to say that they're financially satisfied. There is a strong correlation between average savings balances and how satisfied people are with their financial situation.

The More Savings, the More Likely You Are to Say You're Financially Satisfied

Percent of people rating their financial satisfaction a six or above on a scale of one to ten



The above chart shows that having more savings correlates with financial satisfaction. This appears to be particularly true for those able to maintain a balance above $100, who are 61% more likely to say they're financially satisfied vs. those who who aren't able to maintain a balance above $100 (53% vs. 33%, respectively).

Controlling for household income, gender, age, marital status, presence of dependents in the household, and education, this disparity narrowed, but people who maintained a balance above $100 were still 29% more likely to say that they're financially satisfied.

Recommendations

We hope these findings lead to further discussion on how to approach financial health for low-income Americans.

First, it is critically important that lower-income households have access to savings products that take income volatility and low wages into account. A savings option should be a pathway to financial stability rather than a burden that tips a household into financial instability.

Second, SaverLife has reported in numerous analyses that cash infusions help with debt reduction, staying on top of utility and housing payments, and boosting savings levels, which could lift millions into a more financially secure situation. Policymakers should keep top of mind the financial well-being and broader social implications (housing stability, for example) that accompany direct transfers such as stimulus payments and tax credits.

And third, we urge all organizations to encourage saving money even in the smallest of increments. Many financial education programs equate adequate emergency savings with three months of living expenses. That guidance may work for some people, but isn't always achievable for low-income households. This study suggests that even a very modest savings cushion correlates with major life improvements.

With just a few hundred dollars, people may find themselves with greater housing security, better odds of keeping the lights on, avoiding high-cost debt, and increased confidence in themselves and their ability to reach their financial goals.

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For more information on this study, FINRA, the FINRA Foundation, and SaverLife, visit **about.saverlife.org/finra.**