# The Answer

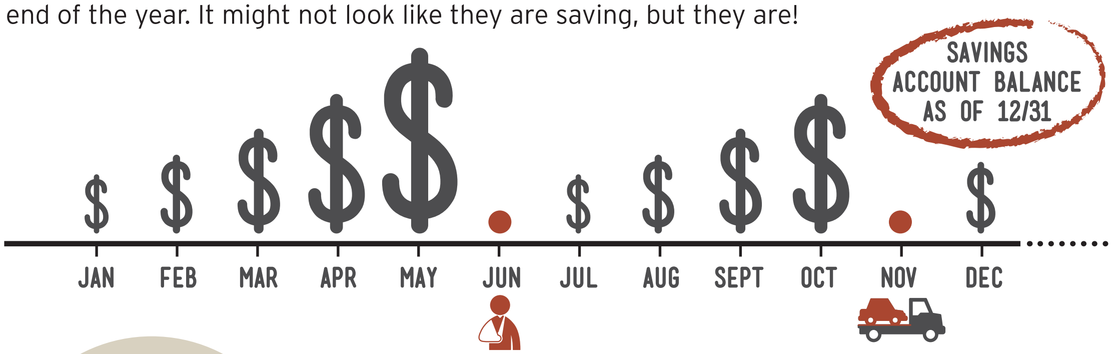
SHELTERFORCE

## Q: Why don't low-income families save?

## A: Actually they do!

**However, they tend to be saving for the short term, rather than the long term.**

Following the finances of low- and moderate-income households in detail, the U.S. Financial Diaries project found that the amount of income the study households set aside in one way or another—extra tax withholding, in a savings account, or given to a family member to hold, for example—was **4 times as a big** as those households' savings account balances at the end of the year. It might not look like they are saving, but they are!

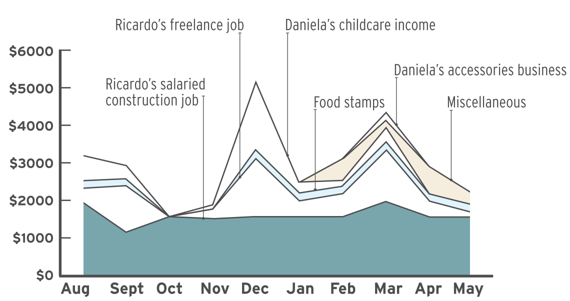

## WHY IS THIS HAPPENING?

These savings were being used in the short term—to cover periods of income loss, emergencies, and large annual expenses. The project found that income for many low- and moderate-income households has become extremely volatile, requiring short-term savings to just make it through an ordinary year, and hampering their ability to plan for longer-term savings projects.

### One Family's Income

Monthly income of a California couple with one child

**INCOME VOLATILITY LEVEL: 34%**




This household provided cash flows from July 2012 through June 2013.

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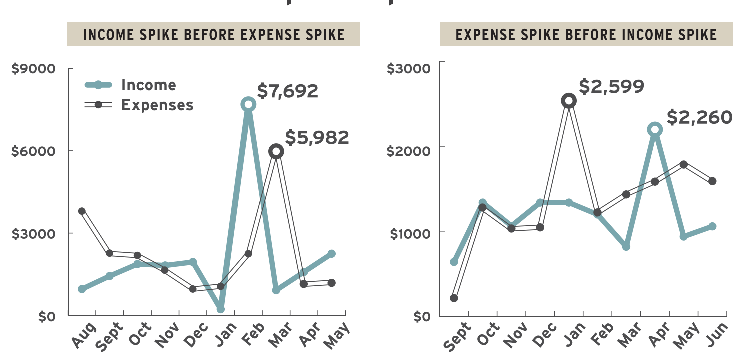
### Income and Expense Spikes Often Don't Match




Two examples of a mismatch between spending and income spikes.
In the first, the household used a tax refund/credit to fund home repairs and expansion.
In the second, a nearly 100% increase in rent is cushioned by a tax refund/credit shortly thereafter.

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