

Low Personal Savings Rate Demands Congress Incentivize Savings for All

By Senator Joseph I. Lieberman

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Countless Connecticut residents are striving each day to realize the American dream – the single mother from Bloomfield who aspires to open her own hair salon; the couple in Meriden and their homeownership dreams; and the Bridgeport man eager to enroll in Housatonic Community College's web site design program. But daily struggles to pay the bills often leave the next rung on the ladder to the middle class out of reach. And that means fewer and fewer people can think about saving for the future.

The recent news about our families' financial security is no surprise: Americans are still not saving enough. The national personal savings rate for 2007 was a mere 0.5 % – meaning that for every \$100 earned last year, Americans on average put just \$0.50 into personal savings. This contrasts sharply with 1984, when the average was \$11. Such low savings rates leave Americans without an adequate safety net.

Here in Connecticut, the savings picture is especially dire. At nearly \$2100, our median revolving credit card debt is the third highest among states (behind only that of New Hampshire and Alaska). Meanwhile, one in eight Connecticut households are asset-poor, meaning that if their paychecks were to stop, their assets would support them for fewer than three months at the poverty line.

It's time for us to give working families the opportunity and the incentives to save their way to a brighter future. A proven solution is Individual Development Accounts, or IDAs. In recent years, nonprofit and community organizations nationwide have begun offering IDAs. These programs match low-income working individuals' savings – much in the way that employers match 401(k)s contributions – as long as participants attend financial-literacy classes. Participants can make withdrawals from their accounts only to further their education, purchase a home, or start a business. There are now 540 IDA programs across the US serving more than 57,000 savers. In Connecticut, 16 IDA programs – including programs in Fairfield County administered by CTE, Inc. in Stamford and the East End Baptist Tabernacle Federal Credit Union and Family Services Woodfield in Bridgeport – are working with more than 1,000 working Connecticut families.

The results are extraordinary. Among IDA participants who have completed financial literacy classes, 40% have purchased a home, 28% have invested in a business, and 32% have pursued post secondary education. Connecticut IDA participants have saved more than \$1,000,000 to buy homes, start businesses, and pursue post-secondary education and training.

Behind these impressive statistics are even more compelling personal stories. Take, for instance, Cassandra, an early participant in Stamford's CTE program. A single mother when she entered the program, Cassandra's goal was to buy a home for herself and her child. Through careful budgeting and the help of the IDA match, she saved enough to make the down payment on a house in Norwalk. And through information she received in the IDA Program, Cassandra was able to apply for and obtain \$35,000 in first time homebuyer assistance from the Norwalk Redevelopment Corporation and \$5,000 from Adopt-A-House.

But with only 1,000 accounts in Connecticut and 57,000 nationwide, there is considerable room to grow. For that reason, I joined with Senator Jim Bunning (R-KY) last February and introduced the Savings for Working Families Act. Our bill would provide federal funds for 900,000 new accounts, thus ensuring that our nation's savings and ownership policies assist working-poor families by enabling them to save, build wealth and enter the financial mainstream through the use of a financial product tailored to their needs.

I will continue to work for passage of the Savings for Working Families Act because by investing in people who invest in themselves, we help families do more than get by, we help them get ahead.

Senator Joseph Lieberman is an Independent Democrat from Connecticut.