Managing on a Limited Income

by Marilyn J. Kennedy

Financial management education has typically been geared toward middle income persons who have developed a pattern of overextended credit. In 1990, however, educators at the Minnesota Extension Service in Ramsey County noted that they were receiving numerous inquiries about financial counseling programs from community service agencies and from individuals who did not fit the middle class model for such programs. In response, the Ramsey County Extension Service developed a pilot project in financial management education specifically targeted to reach individuals and families with limited incomes. Interested in determining the effectiveness of this innovative project, CURA funded an outcome evaluation of the project's impact on its participants.

Evaluating the Project

The project reached a total of 1,843 individuals and families over a twenty-five-month period from 1990 to 1992. Its central feature was a three-part curriculum directed toward the primary goal of personal empowerment in financial management. Participants were encouraged to gain control over their financial affairs by developing basic skills in management and budgeting and were introduced to the range of financial resources available to them. The emphasis of the project was on translating newly acquired knowledge and financial management skills into changes in personal financial behavior, a recognizably difficult task.

Because the evaluation was not part of the original project plan and took place after participants had finished the program, it was limited to a "before and after" research format based on questions asked in initial interviews with participants. An emphasis on individual adaptability and program flexibility by the project's administration—a primary asset from the Extension Service's perspective—proved to be the greatest liability in outcome evaluation, for there were few constant elements throughout the administration of the project.

Nevertheless, 290 persons received the full education program as originally designed by the Ramsey County Extension Service. This "core group" of 290 participants was the focus of our evaluation, serving as the pool from which a sample group of thirty-six participants was randomly selected. Due to the high mobility of many low income persons as well as the two-year gap between completion of the program and initiation of the evaluation, it proved difficult to locate former program participants. However, almost two-thirds of the sample group (twenty-three people) were contacted and responded to the evaluation questionnaire by telephone. With few exceptions the composition of the sample group closely resembled that of the larger group: the sample contained fewer single female heads of household than the core group, and slightly more individuals in the sample were privately employed.

Who Participated?

Information gathered in the initial interviews furnishes a composite profile of the core group of project participants. They came from a wide range of income levels, but the median gross income was $900 a month. The group was 78 percent White, 16 percent Black, and 6 percent other ethnic groups (including Asians, Hispanics, and American Indians). Most of the group (75 percent) lived in the city; the balance were suburban residents. Median household size was three, and most households either were headed jointly by a male/female couple or were single female-headed households. Almost 60 percent of the participants were privately employed, while 25 percent relied on public assistance as their main source of income. The greatest number of participants were in their forties.

What Did They Learn?

The project's goals were directed less toward objectively measuring participants' financial improvements than toward teaching participants to work with the resources available to them and helping them gain a sense of control over their financial affairs. The individuals surveyed indicated that the project was effective on both counts.

Reported changes in the use of financial resources point to a greater awareness of the range of available resources and to greater independence from reliance on any one type of service or resource. Most notably, nearly a quarter of the people surveyed reported decreased use of "means test" resources. (Resources such as AFDC or General Assistance, which assess an applicant's need or "means" before help is granted.) In addition, there was a marked decrease in the use of food shelves. Whereas only 59 percent of those surveyed had initially reported that they were able to make it through the month without relying on food shelves, 86 percent reported at the time of
the evaluation that they were no longer depending on food shelves.

Almost two years after their participation in the program, a majority of those interviewed reported a considerable decrease in the number of unpaid bills. Twelve of the twenty-three interviewed reported that all their bills were paid up-to-date whereas in initial interviews only two had reported such status. Further, there were indications that at least some individuals had taken action to establish a savings plan, using strategies such as an automatic paycheck deduction, saving through a credit union, or simply tucking money away at home. It is noteworthy that although seven people reported greater total indebtedness at the time of the evaluation than when they began the program, three of these seven had returned to school and were dealing with high tuition bills. Others said that although their debt load was higher, it was also more manageable or was the product of a divorce. Thus, the higher indebtedness in these cases appears to reflect individual initiative to improve their financial status, as well as a potential increase in the overall quality of life.

On a more subjective level, the percentage of people who felt themselves “almost in control” or “in control” of their finances had nearly doubled (from 27 to 48 percent) during the period between the initial program interviews and the outcome evaluation. In addition, 65 percent of the sample group reported feeling more hopeful at the evaluation than at the beginning of the project, many emphatically so. Questions regarding hope drew more intensity of feeling and more spontaneous response from participants than any other segment of the evaluation. Hope is a critical factor in achieving behavioral change, and as such this was perhaps the most important finding. Several of the people interviewed expressed appreciation for the opportunity that the project offered to share experiences and ideas with others in similar circumstances. The support from other program participants as well as staff reduced their isolation. Some said they derived hope simply from the fact that a public agency cared enough about them to create such a program.

Conclusion
This evaluation was based on the responses of a relatively small sample of participants in the Ramsey County Extension Service’s project. Within this small group, however, there were numerous signs that this pioneering project achieved some concrete, positive changes in financial management behavior, as well as in the quality of life for program participants. Participants’ responses to the evaluation questions showed decreased dependence on certain publicly funded resources, decreases in the number of unpaid bills, a trend toward savings, a higher degree of hopefulness, and a greater sense of control over financial affairs.

If plans for an outcome evaluation are included in future projects, the extent of the changes can be more fully and more precisely measured. The apparent impact of this program on its participants should encourage future work with low income families in learning how to manage their finances.

Marilyn Kennedy was a graduate student in education at the University of Minnesota when she did this project evaluation in 1994. She is currently a doctoral student in social welfare at Case Western Reserve University as well as a research associate with the Cuyahoga County Mental Health Research Institute in Cleveland, Ohio. In this position she has worked on several research projects related to mental health and has a particular interest in severe and chronic mental illness.

Kennedy was hired through a Community University Personnel Grant to Ramsey County Extension Service to complete the evaluation reported here. CURA’s Community University Personnel Grants are designed to help organizations run by minorities or serving minorities and the disadvantaged by making the research or technical services of graduate students at the University of Minnesota available for short-term projects.

Since the CURA Evaluation
Ramsey County Extension Service continues to operate the project described in this report. Original funding from Ramsey County has been supplemented with funding from the Food and Nutrition Project of the University of Minnesota’s Minnesota Extension Service, in collaboration with the Minnesota Department of Human Services.

The project has been strengthened to include a greater emphasis on shopping and budgeting for food, an important part of a family’s budget as well as a significant factor in maintaining a family’s physical well-being. It remains directed toward people who meet poverty guidelines—eligibility for food stamps is a base criterion for participation in the program. Various agencies refer people to the Extension Service, and after five years of operation, the program also attracts numerous self-referrals.

Marilyn Kennedy’s evaluation attracted the interest of Ramsey County officials, and as the result of a meeting with county representatives, an additional $20,000 was appropriated to continue funding the project. Ramsey County funding ends on June 30, 1996, but the Food and Nutrition Program will continue to fund the project.

Credits:
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